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THE NEEDS OF EUROPE

ITS ECONOMIC RECONSTRUCTION

A Report of the International Economic Conference called by the Fight the Famine Council, and held at Caxton Hall, Westminster, on the 11th, 12th, and 13th of October, 1920

Addresses by

Lord PARMOOR

Bishop GORE

Sir WILLIAM BEVERIDGE

Sir GEORGE PAISH

Mr. NORMAN ANGELL

Dr. SCHULZE-GAEVERNITZ

Mr. J. A. HOBSON

Contessa SCOPOLI

Dr. J. REDLICH

Frau ADÈLE SCHREIBER-KRIEGER

Mr. EDO FIMMEN

Dr. JANICKY

and others

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THE FIGHT THE FAMINE COUNCIL,
PREMIER HOUSE, SOUTHAMPTON ROW, W.C.1

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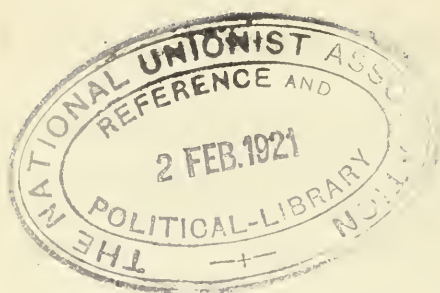
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23. BONA ZOJ TA Y8AB8U

THE Conference of Economists, organized by the Fight the Famine Council, was even more widely representative than that held in November, 1919. Amongst those who attended from abroad were members from America, Austria, Germany, Italy, Holland, Poland, and Upper Silesia.

They included Prof. van Gijn, Mr. Fimmen, Miss van Dorp, Prof. V. Stuart (Holland), Contessa Lisa Scopoli (Italy), Mr. J. G. MacDonald (United States), Prof. Schulze-Gaevernitz, Herr Otto Hué, Prof. Oppenheimer, Frau Adèle Schreiber-Krieger (Germany), Dr. Weiser, Prof. Redlich, Dr. F. Hertz (Austria), Dr. Janicky (Poland), Father Ulitzka (Upper Silesia).

Members from various foreign legations were also present.

Mr. Cramp and Mr. Hodges were prevented from speaking on coal and transport owing to the Miners' strike.

Messages of regret for inability to be present were received from Lord Bryce, Earl Beauchamp, Lord Weardale, Lord Emmott, Lord Phillimore, Lord Cavendish Bentinck, the Bishop of Lichfield, Mr. F. D. Acland, Sir Donald MacLean, Mr. Walter Runciman, Sir W. H. Dickinson, Sir William Goode, Mr. J. R. Clynes, Mr. Philip Snowden, Mr. Ben Spoor (Great Britain), Mr. Charles Rhoads (U.S.A.), Prof. A. Lawrence Lowell (U.S.A.), Prof. Bruins, Prof. Dr. van Embden, Mr. F. Wibout (Holland), Mr. Strauss (Belgium), M. Charles Gide, M. Henessy, M. W. Oualid, M. B. Lavergne, M. L. Lefoyer, M. Pierre Hamp, Mme Duchène (France), Dr. E. Giretti, Sig. Borghese (Italy), Prince Max von Baden (Germany), Prof. Wenckebach (Austria), Prof. M. Michels, Herr H. Frey (Switzerland).

INTRODUCTORY NOTE.

The papers and addresses were directed to the following related objects: first, a diagnosis of the economic maladies from which the whole of Europe in various degrees is suffering; second, the obstacles to recovery presented by certain provisions of the Peace Treaties, coupled with a policy of war, armed preparations and menaces of force pursued by several of the Allied Powers, especially in their dealings with Russia; third, the consideration and formulation of remedies for these evils and constructive measures of recuperation.

Failure of the Recuperative Forces.

The passage of another year has made it evident that, taken as a whole, the recuperative forces in most countries are operating slowly and ineffectually, and that no progress is being made towards financial recovery. Belgium alone among the industrial countries directly exposed to war damage has made a good recovery in industry and commerce, though France within recent months shows signs of considerable improvement in her textile industries and in her foreign trade. In Serbia, Bulgaria, Roumania and Czecho-Slovakia, predominantly agricultural countries, appreciable progress has been made, though Hungary, Turkey, Poland and the Balkan States, recently exposed to war ravages and the diversion of labour to military purposes, remain in abject poverty and helplessness.

The economic feebleness of Russia, severed almost completely from foreign trade, and obliged to keep large wasteful armies on several frontiers, while engaged in radical and difficult experiments of internal reconstruction, is a heavy handicap to European recovery.

The German Situation To-day.

While these factors of the situation were not ignored, the diagnosis of the Conference was directed mainly to those industrial countries of Central Europe where the economic trouble is most intelligible in its causes and most susceptible of remedial measures.

Professor Schulze-Gaevernitz gave a temperate and exceedingly convincing account of the present position and prospects of Germany. While the starvation blockade and the "peace of violence" have destroyed many lives and wrought great material and moral damage among the people, they have left virtually unimpaired the capacities, technical,

commercial and organising, on which, far more than on natural resources of the soil, her industrial and commercial prosperity was built in the past. These qualities are still at the disposal of Germany and Europe, if they are permitted fair opportunities to work. "Before the war Germany was the workshop of Continental Europe. Europe, impoverished by the war, cannot recuperate without setting this workshop in operation once more." So long as Germany is deliberately kept poor and weak, her immediate neighbours, such as Holland and Switzerland, will be heavy sufferers. Next, her commercial debility must infect France and Italy, and in no mean measure all other nations who need her goods and her markets. The feeble pulsation of this great productive organism (a million of her workers wholly unemployed, two million half employed, this number rapidly growing) must continue to stop the recovery of Europe.

"Only an invincible war-madness can be blind to the fact that the reconstitution of France, the balancing of the French Budget, and the recovery of the franc depend on the restoration of the economic system of Germany." Coal, overseas markets, fixed reparation upon moderate terms, and credit are the essentials to the recovered stability of the economic and political system of Germany.

Frau Adele Schreiber, in a paper full of striking fact and figure, brought out the two really mortal injuries which were inflicted upon Germany in (1) the physical damage done to the rising generation; (2) the wholesale and complete destruction of the standards of living among the professional and intellectual classes, in which the seeds of progress lay. A death sentence is passed upon German science and culture by the present economic pressure.

The Plight of Austria-Hungary.

A number of economists bore testimony to the terrible conditions of the industrial towns in the countries formerly comprising the Austro-Hungarian Empire. The great cities of Austria and Hungary are still living upon precarious and insufficient charity. Cut off from coal and raw materials, they cannot produce enough to buy food from their own peasantry, much less to import it from outside. The delicate machinery of economic equipoise which had kept the peoples of the several states in close interdependence under the Empire has been suddenly broken, and stubborn barriers set up between the several parts. The new independent states are literally "strangling their parents."

Coal and Credit.

It is significant that out of the various approaches of economists, representing different nations, allied or ex-enemy, old and new, great and small, two great needs stand out,

coal and credit, industrial and financial power. These are the demands not only of Germany and Austria, but with almost equal urgency of Italy, Poland, Czecho-Slovakia and Jugo-Slavia. Everywhere the shortage of coal and of credit is hampering recovery, more even than the letting down of plant, the lack of raw materials, and the slackness of labour. For, given coal and credit, these other defects could be remedied. Though there is some not inconsiderable shortage of important goods and materials in the world to-day, it is not sufficient to cause the poverty, depression and unemployment which prevail in most European countries, provided that these requisites were distributed in accordance with the urgency of needs for production and consumption in the different countries.

The Burning Question.

Every diagnosis of industrial trouble fixed on coal as the matter of supreme urgency, and the English monopoly of export coal in Europe competed with the struggle for German coal areas as centres of controversy. Upper Silesia, Teschen, the Ruhr, the price of English coal, and the possibilities of oil, timber and other substitutes are literally the burning question in European economics to-day. With a world shortage of some 20 per cent., and the bulk of the production within three national areas, it is evident that weak countries can get little chance of industrial recovery, or even of domestic safety, unless the selfishness of ordinary competitive business is temporarily displaced by some humaner principle.

Financial Paralysis.

But members of the Conference were virtually unanimous in recognizing that the complete failure to restore the pre-war system of international finance, or to provide a substitute, is blocking every road to economic recuperation. All the material factors of production exist, somewhat impaired, but capable of quick recovery, provided that the financial paralysis can be cured. The abandonment of the gold standard, and of free export of gold in exchange, accompanied by an inflation of currency, adopted by all the belligerent and some neutral nations during the war, and continued in many instances up to the present time, are the admitted causes of this paralysis.

Credit Proposals.

The International Financial Conferences, recently held at Brussels, exposed the extreme gravity of the situation, demanded of the Governments that they should stop further inflation, curb their expenditure on armaments, throw down the material barriers to commerce, and endeavour to establish

an emergency credit on a basis of national guarantees. The important discussion introduced in the third session of our Conference by Sir George Paish, while reinforcing this diagnosis, emphasised the necessity of a closer international co-operation as the only line of effective remedy for the disease.

Danger of Mandatory Power.

In the restoration of economic order to the world, the products of tropical and other economically backward countries are of growing importance. In a discussion upon Mandatory Powers, under the chairmanship of Bishop Gore, in which Messrs. Harris, L. Woolf, E. D. Morel, Sir Sydney Olivier and others took part, it was recognised that the Peace Treaties have greatly increased the number of the countries passing under the political control of a few Western Powers, in the form of colonies, protectorates, mandatory areas and spheres of influence. Two dangers beset this policy: first, the exploitation of the resources of these countries to the injury and oppression of the native populations; secondly, the adoption of industrial and commercial measures, giving monopoly or preference to the nationals of the protecting or mandatory powers, and to the detriment alike of the natives and of the nationals of other trading nations. The provisions in the existing Covenant of the League of Nations are found to be exceedingly defective safeguards against these dangers.

Outcome of the Conference.

The practical outcome of the Conference was a series of proposals; partly corrective of the defects of the policy pursued by the Allied Governments in the Peace Treaties, the Covenant of the League, and the conduct of the Supreme Council since the termination of the Great War; partly directed to secure a healing co-operation of Governments and peoples for the rescue of Europe from the morass of poverty, disease, unemployment and disorder, into which some countries are sinking deeper, while others are still struggling to hold their precarious footing.

Military and Economic Peace.

Peace is the first desideratum. The military or naval and commercial war with Russia, the flickering warfare in the East, supported or instigated by Western policy, should cease, and with its cessation an early, large and general reduction of the economic waste on armaments should be effected. The removal of economic barriers, new and old, which impede the flow of goods and place political impediments on profitable commerce, especially in the Central Powers and adjoining States, is the next requisite.

Revision of the Peace Treaties.

With these general reforms is associated the specific need of a revision of the several Peace Treaties, with the particular object of removing the economic dangers and disabilities which they contain. The demand for an immediate fixation of a reasonable sum to be paid by Germany in reparation is a first and indispensable condition to the industrial and financial recovery, not only of that country, but of all other European countries whose credits, currency and commerce are hampered by this financial uncertainty.

Reparation and economic strangulation are contradictory policies. The insistence upon specific forms of reparation in coal, potash, etc., or even upon certain forms of restoration—e.g., engines, milch cows—is detrimental to the economic recovery of Germany, and thereby to her total power of reparation. Professor Schulze-Gaevernitz pleaded for a five years' period of recovery for Germany before she should be required to make payment, as the method conducive to the largest and quickest fulfilment of her obligations.

The International Economic Council.

The removal of these positive obstacles should, however, be accomplished by the active co-operation of nations to secure an emergency distribution of credit, and, through credit, of coal, transport, raw materials and foods needed to sustain and restore the financially weak nations. This can only be done by the appointment, either on the part of the League of Nations or otherwise, of an International Economic Council, fully representative of all the nations concerned, and empowered to construct an international guarantee for the credits needed to repair the broken finances of European countries, and so to set going the normal processes of industry and commerce.

A Reformed League of Nations.

Such a work could be best undertaken by a Committee of the League of Nations, provided that the League were itself completed by the admission of all countries, allied, ex-enemy and neutrals, desirous of entering, and that such a Committee were empowered to devise an emergency control of essential commodities and finance in which the safety, welfare and future progress of the weaker peoples of Europe and the backward non-European peoples were taken into due account.

But while speakers generally favoured the League as the instrument for this constructive task, the Conference strongly supported amendments of the Constitution of the League so as to give it a more genuinely democratic character, and to release it from its baneful obligation (Article 10) to carry

out and defend the territorial changes laid down in the terms of the Versailles, St. Germain and Sèvres Treaties.

The following series of Resolutions, adopted with virtual unanimity by members of the Conference, presents an orderly summary of the chief reforms of policy needed to cope with the present economic emergency, and to lay a sound foundation of industrial, commercial and financial recovery.

RESOLUTIONS.

I. Conditions precedent to Economic Reconstruction.

In consequence of information gathered from all sides as to the prevailing distress and of the serious views expressed by the experts of different countries concerning a threatened collapse of credit, trade, and industry in Europe, this Conference considers that urgent measures should at once be taken in the hope of averting some of the inevitable misery and suffering which must result in this and other lands.

This Conference considers that the conditions precedent to an adequate economic reconstruction of the world are: a cessation of military operations in Eastern Europe and elsewhere, with the consequent reduction of expenditure on armaments; the cessation of all blockades and restrictions for purely political purposes upon economic intercourse; the enlargement of the area of Free Trade by specific Treaties between States, particularly those of the late Austrian, Russian, and Turkish Empires.

2. Reparation and Revision.

This Conference is of opinion that to prolong the period during which any country is unable to know the full extent of the claims that will be made by the Reparation Commission is fatal to the restoration of productivity. Revision of the Treaty should have as its aim the restoration of production throughout Europe, without which no solution of the general problem of the increased cost of living can be found; and such restoration cannot take place unless the sum fixed for reparation is a reasonable one and generally admitted to be within the power of the countries concerned to pay. The clauses concerning Reparation, the supply of coal, the delivery of shipping, etc., should be immediately revised in this sense.

3. International Financial Co-operation.

This Conference is gravely concerned with the existing financial situation which now shows symptoms of complete breakdown, not only in Russia and in the Central Powers, but in the Entente Nations as well, and desires to direct the attention of the peoples and Governments of every nation to the urgent need of co-operative measures in order to create

the credits which Europe requires, to restart her industries and to restore her productive power.

This Conference desires to record its conviction that the necessary international credit cannot be obtained until the reparation payment by Germany has been fixed at an amount within the power of Germany to pay and within the amount which the countries that can grant the credit expect her to pay.

This Conference is convinced that the financial danger cannot be overcome until measures are taken to restore production in Russia and to restart trade relations with that country.

This Conference desires to record its conviction that Europe cannot obtain either credit guarantees or the credits themselves until the various nations reduce their military outlays, make a real effort to curtail their governmental expenditure, endeavour to restore the equilibrium to their budget, and thus indicate their intention to stop the issue both of paper currency and of governmental loans for other than productive purposes.

This Conference desires to express its appreciation of the effort of the League of Nations to avert the imminent financial danger by means of the Brussels Conference, and trusts that the League will take further steps to avert the danger by inducing the whole world to participate in the work of reconstruction and to consent to the creation of some system of collective credit by means of which the necessities of Europe can be satisfied.

The Conference considers that the League of Nations should itself act as trustee for any international loan that may be created, and for the expenditure of the credits obtained by such loans for productive purposes, and not in order to meet governmental expenses or budget deficiencies

4. A Rationing Policy.

This Conference urges the desirability of appointing an International Council, representative of the countries concerned, to advise as to the production and distribution of food, coal, and other indispensable raw materials, with a view to ensuring the satisfaction of vital needs and to securing the largest possible production throughout the world.

5. First Work for a Complete League of Nations.

This Conference is of opinion that the League of Nations can never be an effective instrument for reconstruction until it has admitted all States desirous of membership. The Conference further urges that having so admitted all such States, the League's first activities should be directed towards assisting in the economic reconstruction of the world by agreement, and in the provision of a Court before which all questions justiciable in their character may be brought for decision.

6. Reforms of Mandatory Policy.

This Conference, while recognizing the need for making tropical products available for the outside world, demands

that this shall only be done with adequate safeguards for the interests of the native races concerned. It protests against the policy of differential duties in Crown Colonies, mandatory districts and spheres of influence. It protests against the parcelling out of these countries as part of the spoils of war, and calls upon the Members of the League of Nations to assert their unquestioned obligation and right to define the degree of authority and control in the mandated areas.

PUBLIC MEETING RESOLUTION.

At a large public meeting held on October 13th at the Central Hall, with Lord Parmoor in the chair, the following General Resolution was unanimously adopted.

This meeting demands that the Peace Treaties be revised in order that all obstacles to economic reconstruction be removed, that all nations be admitted to the League of Nations, that the League be authorized to pledge its collective credit in order to overcome the economic and financial breakdown with which the world is now confronted, and that by means of the credits it obtains the League shall secure the proper distribution of food, coal, raw material, and other materials essential to reconstruction.

This meeting asks the Fight the Famine Council to request the British Government and the Secretary of the League of Nations to receive deputations which are hereby authorized to bring before them the previous resolution, as well as the other resolutions passed by the Conference.

At a private meeting of the Committee of the Fight the Famine Council, with the Foreign Delegates to the Conference, it was decided that a Peace Revision Committee should be formed by the Council to draft proposals for revision in consultation with foreign delegates who would, where possible, form groups in their respective countries for the purpose of their collaboration. A number of economists and other persons of eminence undertook to carry out the work.

THE PURPOSE OF THE CONFERENCE.

LORD PARMOOR.

In opening the Conference, Lord Parmoor said: My first word must be a word of welcome to our foreign guests. I had hoped that Viscount Bryce would have been present to express our welcome, and it is only the press of his engagements which makes it impossible for him to be present. I can assure all who have come from abroad in response to our invitation, often at a considerable sacrifice, that we not only cordially appreciate their presence, but recognise with gratitude the spirit in which they have come to take part in a Conference on Economic Reconstruction after the war, a question of most immediate need for solution.

Our Conference has a double purpose. Friendly intercourse appeals to those deeper instincts of sympathetic human understanding, which tend both to mitigate antagonism, and to bring home the urgent necessity for conciliatory combination. No one who has been present at an International Conference, convened to promote common objects, in a spirit of common service, can have failed to note this beneficent influence.

Secondly, the Conference gives an opportunity to discuss methods of practical action by which the solution of intricate and difficult economic problems may be effectively advanced.

However gloomy the immediate economic outlook, the conveners of this Conference cannot for a moment accept the proposition that no effective remedial action is possible. No memorial shows a higher appreciation of past heroism and suffering than the constant effort to appeal to the better side of human nature in order to build up on a sounder moral foundation a higher standard of civilised life.

There is no occasion to refer to the topics which will be brought before the Conference. European conditions, as they exist at the present time, have forced on us two general conclusions.

First, the immensity of the risk if statesmen fail to realise the industrial unity of Europe.

Secondly, the certainty of human loss and suffering consequent on the dislocation in trade intercourse, where such intercourse is essential to the adequate supply of food, trans-

port, and raw material, including coal. There is a dangerous simplicity in the work of destruction.

This is the second International Conference brought together through the initiative of the Fight the Famine Council. The first Conference more than fulfilled our expectations. It served to break down the barrier to friendly international association, and the policy then advocated has received a remarkable measure of influential support. We shall persevere in the work we have begun, and not turn back our hand from the plough.

No doubt there may be many roads leading to the goal of International Goodwill and Economic Reconstruction. It is the duty of all men who realise the position to take such part as they can in the work of exploration.

Our Council neither claims nor deserves special merit. It is convinced that there is a hope of progress in free association and free discussion, and I earnestly hope that this Conference may be fruitful both of suggestive thought and practical methods.

THE COLLAPSE OF EUROPE:

a Survey of Economic and Political Factors and the present Obstacles to Economic Reconstruction.

FAILURE OF RECUPERATIVE FORCES.

MR. J. A. HOBSON.

When the Great War ended in November, 1918, the finance, industry and commerce of every belligerent country and of most European neutrals were in different degrees disorganized, broken and reduced. The destruction of wealth and of the human and other instruments of production lie outside all accurate computation. But the loss of life in the fighting forces can hardly be estimated at less than thirteen millions, for Europe alone perhaps twelve millions. If we add losses of civilian life from massacre, disease and famine, and other causes connected with the war, that figure may reasonably be doubled. Further, add the many millions of totally or partially disabled lives, the lowered vitality of whole populations, the retardation in the birth rate, and the quantitative and qualitative disturbance of the sex equilibrium in its bearing on the future population, and we get some comprehension of the immensity of the loss of labour power in Europe.

The destruction of property in the war areas of Belgium, France, Russia, Poland, Serbia, Italy, Roumania, and parts of Austria is roughly computed by an American authority at thirty thousand million dollars, Belgium and France accounting for more than half this cost. This sum is probably excessive, being necessarily based upon calculations likely to err upon that side. But in any case agriculture, mines, factories and other productive instruments suffered grievously from pillage and destruction in the invaded countries. On a far wider scale was the loss of productive power in all the warring countries by the letting down of most forms of roads, buildings and machinery, the depletion of stocks in agriculture and manufacture, damage of railways and other transport, failure of fuel supplies, and last, but not least, the dislocation and suspension of the currency and exchange system. Such effective industries as remained were the exaggerated

products of war emergency, mainly devoted to munitions and other war needs, and involving heavy depreciation for adaptation to peace uses. The impact of these economic shocks was felt throughout the economic system of Europe. Even those neutral countries which had gained most, or suffered least, from the stoppage of commercial intercourse during the war, sustained considerable injury by the interruption of sea transport, the shortage of fuel and raw material, and the increased expenditure on their defensive services. Among the belligerents the net economic damage was distributed in a widely different degree. Taking as criteria the proportionate loss of life by war casualties and the actual destruction of property, France, amongst the great countries, had sustained the greatest injury, though as regards the actual deprivation of foodstuffs, fuel, and other essentials of physical life, Austria lay in a far worse plight, while Italy's dependence on outside supplies of coal and other essentials of life left her in a state of terrible enfeeblement. Though Germany had suffered in casualties more than any other country save Russia, and nearly as heavily in proportion to her population as France, the main body of her fixed capital stood intact, though her immediately available resources both of agriculture and of manufactures were terribly depleted, owing chiefly to the prolonged blockade. Among the smaller belligerents Poland, Serbia, and Roumania, and Belgium, all heavy sufferers from the devastation of war, stood in a position of the greatest immediate economic exhaustion. Great Britain alone amongst the active European belligerents, though a heavy sufferer in war casualties, had been enabled to maintain her economic system comparatively unimpaired, her chief injuries at the termination of the war appearing in the form of loss of ships, shortage of houses, and deficient supplies of certain foreign foods and raw materials. Though Russia had lost more lives from the war than any other country, and the coincidence of internal revolution with invasion and stoppage of external trade left her city population in a desperate plight, this industrial and commercial collapse probably left the main body of the agricultural population less injured than would be the case in any other European country.

Now, while war leaves behind it an inevitable train of poverty, material destruction, disease, death and disorder, there exist certain natural powers of recuperation whose strength and speed have often been a source of wonder to the historian of war epochs. Unless the spirit of a people is completely broken by prolonged suffering, or is crushed by the continued burdens of an oppressive peace, all the reserves of physical and mental energy are mobilized for the restoration of long-established standards of life. Every economic incentive should act more effectively under the

pressure of such an emergency; greater willingness to work, accompanied by greater thrift, because of the greater utility and the higher personal reward attending these productive processes, the restoration as soon as possible of the gainful activities of internal and external trade, patriotic efforts to pay off war indebtedness and to return to honest and safer methods of finance. These operations of the human will are usually accompanied by a natural recuperation of the vital losses of war by means of a higher birth rate. But, apart from these natural and normal processes of economic recovery, war experience has revealed new important powers of productivity in the application of science to the technique of industry, in the utilization of waste products and the substitution of new materials and methods, and, not least, in the more economical administration of business enterprises, a fund of new knowledge which ought immensely to have accelerated the recovery of Europe. The public control of industry in wartime in order to maximize the production in essential trades, revealed in a startling way the magnitude of pre-war waste of capital and labour, through slack, incompetent, and ignorant organization, excessive competition, and the employment of vast quantities of relatively useless labour in distribution and the luxury trades. It is not too much to say that a fairly rigorous peace economy employing those better methods of technique and a business organization which are now common knowledge, ought, within the lapse of time since the Armistice, to have enabled Europe, acting in effective co-operation, to have restored its broken economic system within a measurable distance of its pre-war level, replacing much of its wasted capital and able to support its population, if not in comfort, at least in tolerable livelihood. These recuperative forces have failed to do their work. Over the greater part of Europe the economic situation and outlook to-day are darker than at the close of 1918. Among the injured countries there are patches of recovery, chiefly in the agricultural areas where the recuperative aid of Nature contributes much and where the breakages of transport and finance count less. Thus there is evidence of satisfactory progress towards recovery in Serbia, Bulgaria, Roumania, and Czecho-Slovakia, the last-named country materially strengthened by securing most of the valuable economic assets of the Austro-Hungarian Empire. Finland and the new Baltic States, though still subjected to great difficulties from political instability and commercial barriers, are improving in the development of their rich natural resources. On the other hand, certain predominantly agricultural countries, such as Hungary and Turkey, recently subjected to the fresh ravages of war and brigandage, still lie in abject destitution. Among the advanced industrial countries of the Continent, Belgium alone has made a good recovery. At the beginning

of this year an official survey published in this country stated "that the railways have been almost entirely restored, that nearly all the waterways are in use, that the output of coal has all but reached the pre-war level, large quantities already being exported to various countries, that factories are generally recovering, and that shipping and agriculture are well on the up grade."

This favourable account was corroborated by later evidence to the effect that Belgian industries "practically non-existent in November, 1918, to-day show an output of nearly 60 per cent. of that in 1914." Towards the end of this year, however, Belgium has suffered in the general collapse.

The recovery of France alike in agriculture and in industry has been a slower, a more difficult, and a more precarious one. Apart from considerations of materials, shipping and exchange, the task of reconstruction in the devastated areas has been greatly hampered by the destruction of railways and other means of communication. Agricultural revival is impeded by the huge loss of peasant lives, the shrinkage of live stocks, and the lack of foreign fertilizers and of agricultural machinery. But some considerable progress has taken place this year in industrial employment. In a census taken last July it was found that out of 9,792 pre-war establishments 77 per cent. had resumed work wholly or in part. "In 3,903 establishments employing in 1914 729,185 workers, 307,067, or 42 per cent., were being employed on July 1. This proportion, which represents with sufficient exactitude the coefficient of the resumption of activity in the damaged industries, continues to make very satisfactory progress. In July, 1919, it was only 9.7 per cent. On January 1, 1920, it had reached 41 per cent., and in July, 1920, 65 per cent." (*Economic Review*, August 27.)

But this favourable view of industrial resumption needs to be qualified by consideration of the gathering perils of a financial situation which threatens a complete stoppage of those foreign credits upon which the industrial recovery of France, as of other European countries, is manifestly dependent. For the failure of France to adjust her expenditure to her revenue or to devise means for reducing her foreign indebtedness or to persuade her creditors of the substantiality of the indemnities which were to put her finances right, is already checking the supplies of her essential imports.

But, in truth, this case of France applies to all the debtor countries in Europe. Rising prices, a low and fluctuating rate of exchange, and an enormous load of national indebtedness, an inflated currency, an adverse balance of trade, imply a growing inability to import and to pay for the foreign stocks of food, raw materials, and manufactured goods which they require in order to repair their broken industries and to restore normal commercial relations with

the outside world. Italy is in a worse plight than France, for she has not the natural resources of coal and iron, while most of the other materials for textile and other manufactures have to be imported. Her coal situation, dependent as she is upon dwindling supplies from this country and small contributions from America, remains a fatal impediment to any general industrial recovery.

The situation in Germany and Austria was thus summarized in an economic survey at the opening of this year. Of Germany: "On the whole an honest attempt seems to have been made during the year 1919 to restore some kind of economic equilibrium, despite the extremities to which defeat has reduced her. The agricultural prospects for 1920 are depressing, and the lack of necessary raw material, shortage of coal, depreciation of machinery, labour troubles, and the mark at 200 to the £, render her industrial future precarious. A reasonable and dependable supply of food is a primary requirement, and would do much to nullify and arrest not only labour troubles but the demoralization expressing itself in crime and social misdemeanours in general. In the meantime the Government appears to have re-established some control over the situation, and up to the time of this report a gradual tendency to recuperate is visible, both in the sphere of labour and industry."

"In Austria it is evident that many of the population have only been saved from starvation by the timely aid of the Allies. The disintegration of the Old Empire accentuated the economic condition already strained to breaking-point by the exhaustion of food and the state of debt and demoralization consequent upon the war. The decline in agriculture is heavy; there is tension between the capital and the provinces with regard to what food supply there is, and the immediate future of the New Austria is most sinister. The continued supply of food and coal appears to be the only bulwark against a disastrous reaction, and it is on this condition, coupled with free commercial intercourse between her former States, that a rapid recovery seems to depend." (*Economic Survey*, Department of Overseas Trade, 1920, page 7.)

Now in Germany, though continued efforts have been made towards industrial recovery, the economic situation has definitely taken a worse turn since Spa enforced the delivery to France and Belgium of an increased quantity of the diminished coal output which Germany needs for her vital industries and for the purchase of necessary food supplies from Scandinavia, Denmark, and Holland. Transport, industrial power, public services, the vitality and efficiency of labour are all starved for lack of coal. These shortages in their turn not only reduce the standard of living for the mass of the German population to a miserably low and

insecure level, but disable Germany from resuming such export trade as is open to her wherewith to purchase foreign raw material or to provide payment of the instalments of the indemnity. Recent reports show that the metal industries of Germany are perishing for lack of fuel, while unemployment is widespread amongst the industrial centres. The only manufactures which are said to preserve some measure of activity are the shoe and certain textile trades.

The recent Austro-Hungarian situation is manifestly worse than a year ago. The condition of Vienna and Budapest, and, indeed, of all the industrial populations of these countries, is one of not slow starvation. Food, fuel, raw materials, and the means to buy them are all wanting. Charitable agencies are only slackening the pace of Austria's descent into the grave.

Not even this hasty survey of the state of Europe can dispense with some remarks upon the neutral countries. For most of these have shared the adversity as well as the prosperity of war spectators. Of Portugal, a nominal belligerent, we hear at the close of August: "Not even during the war was the food question so serious as it is to-day." Denmark and Holland are suffering heavily from shortage in imported fuel and raw materials. The economic isolation of Russia makes it difficult to diagnose with any confidence her general situation. The re-establishment of her manufactures and her railways is manifestly impossible until peaceable relations with Western Europe are restored, while her agriculture must be considerably impaired for lack of essential implements. The economic disease from which in different measures the whole of Europe is suffering has certain common symptoms. Everywhere is a shortage of coal, cereals, textiles, housing, transport, and international money. Of all these articles there is not only a national but a European shortage, and not only a European shortage, but a world shortage.

When we learn the world's output of coal is 170 million tons below the 1913 output—a drop of over 12 per cent.—and that the wheat supply of the world is reduced by at least 20 per cent. below the pre-war supply, we recognize that the vital interest of every nation depends upon getting their share of these reduced supplies. Since every industrial European country depends for a considerable part of its necessary grain, and every country except Britain for much of its necessary coal, upon imported supplies, the possession of adequate international purchasing power is of primary importance. And it is precisely here that the peril of the situation for Europe grows continually graver. Only an adequate possession of credit enables the more dependent countries to satisfy their vital needs from foreign sources. Coal and credit, the sources of industrial and commercial power, must be utilized not along lines of most profitable

ownership, but according to pressure of human need, if Europe is to escape catastrophe.

The failure of recuperative forces is evident enough. If we ask what are the causes of this failure we are confronted with a morbid complex of economic, political, and moral factors rooted in ill-will and a refusal to set in operation the healing currents of co-operation. A brief enumeration of the principal obstacles to restoration must here suffice. First, the maintenance or resumption of war conditions in various parts of Europe after the Armistice. The retention of a close blockade of Germany and Austria for months after the Armistice, the still later blockade of Hungary, the long smouldering warfare in the Balkans and in Turkey; and still more injurious in its economic reaction, the policy of war and the blockade of Russia, at once disabling the internal economy of that country and depriving the rest of Europe of access to the largest available surpluses of some essential raw materials; such are the main items in this count. Three distinguishable economic injuries are attributable to this failure to make peace:—

1. The waste of man-power, materials, and money in maintaining and operating large military forces which ought to have been available for work of economic restoration.

2. The fresh ravages of territory, with death, destruction and pillage, as in Hungary, Poland and Russia.

3. The paralysing effect of these wars and fears of wars upon the effort and the foresight needed for effective reconstruction.

We next come to the evil reactions of the Peace Treaties upon the economy of Europe. Here the pursuance of certain political and military objects by the victorious Allied Governments involved the sudden forcible break-up of established economic systems and of commercial relations. At a score of different points the Peace Treaties thrust a ram-rod into the delicate machinery of economic intercourse, upon the maintenance of which the prosperity, the very lives of large populations depended. The tragic case of Austria severed from her agricultural and industrial supplies, her urban millions left to slow starvation or to insufficient charity, is the most terrible result of allowing politicians and soldiers to tamper with an economic system which they do not understand.

That is, of course, by no means the whole story. These false peacemakers were not wholly unversed in economics. Some deliberately set themselves to devise elaborate means of weakening and retarding the economic recovery of Germany, regardless of the fact that this crippling policy meant a reduction of wealth-production in which the whole of impoverished Europe would share, either by ordinary process of trade or in payment of indemnities. The liberation of

the science, technique, and industry of the German people for early effective industry was perhaps the greatest single agency in the economic recovery of Europe. By the deprivation of her main supplies of coal and shipping, the uprooting of her foreign market, the multifarious interferences with her internal economy of transport and finance, the Treaty of Versailles did its utmost to retard this recovery.

But lest these injuries to the material resources of Germany should not suffice for this task of retardation, the Allied Governments inserted a moral obstacle even more disabling. By their persistent refusal to fix the amount of the indemnity they have sapped the incentive to productive effort in the people of Germany.

Turning from these positive obstacles to economic restoration due to the refusal to make a good peace, I next arraign the Allied Governments for failure to adapt the measures they employed for rationing food, coal, materials, transport, and credit, during the emergency of war, to the equally great emergency of the early years of peace. The League of Nations, which they had formally incorporated in the terms of peace, was an obvious instrument for this emergency organization of the vital resources of Europe. The fact that now, nearly two years after the end of the Great War, the first International Conference has been sitting to consider the financial aspects of the economic problem, is a very grave reflection upon the wisdom and honesty of the Governments. For, if Peace be the first condition of economic revival, and a League of Nations be the accepted instrument for securing Peace, the undertaking of this task of reconstruction by an Economic Committee of the League would have done more than any other action to furnish that initial force of moral confidence which this new experiment in internationalism so urgently required.

This failure to set about the co-operative policy of organizing the depleted resources of Europe for the common safety set every nation to devise separate and often very noxious means of dealing with its own commerce and finance. By tariffs, embargoes, subsidies and other artifices, the several Governments have striven to reduce external commerce to a minimum, throwing each people as far as possible upon their own impaired resources and reducing the total productivity of Europe by diminishing the efficiency of international trade.

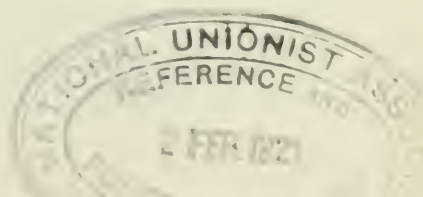
This maintenance of war, blockades, and large military forces, with their attendant insecurity of life and property, this expensive governmental interference with industry and commerce by controls, prohibitions, subventions, and the like, have led almost all the Governments into further adventures in inflation of their currency, with the crippling effects of this financial dishonesty upon prices and the distribution of

wealth. High taxation, rising prices, depreciated currency, fluctuations of exchanges, are generally disturbing influences in the internal economy of every country. They are directly responsible for much of the social unrest which continually breaks out in political revolts or industrial conflicts. These financial, industrial and commercial disturbances take shape in reduced production, much profiteering, and a distribution by processes of economic violence. Under such circumstances capital feels unsafe and saving is discouraged, foresight and business calculation are impracticable, and the life of whole populations is reduced to a scramble for the bare means of present subsistence.

Finally, this failure of the European peoples to get an effective peace, social and political security, rising productivity and improvement of internal finance, has a disastrous effect upon their commercial and financial relations with non-European nations, the owners of those surpluses of wealth and credit which are so urgently required to help Europe in restoring its broken economic system. Europe cannot restore that system without the liberal and continuous co-operation of America. That effective assistance cannot be obtained for a Europe which appears to be unable or unwilling to make peace, or to set herself to steady industry and remedial methods of currency and finance. America will not come in to help redress the balance of such a Europe, and the failure of such help is a final obstacle to Europe's economic resurrection.

This citation of the separate obstacles to economic recovery gives but an imperfect picture of the paralysing influence of their concurrent action. Nor does it adequately represent the general disintegration and enfeeblement due to the breakdown of the exchanges and the international money famine from which the greater part of Europe is suffering. In once prosperous countries we witness to-day the rapid dissolution of highly complex economic organisms into low forms of primitive production, eked out by barter. In social pathology the disease may rank as general paralysis, a failure to function on the part of the nerve centres of the economic system.

The full extent of the danger only now appears, when the hectic energy and artificial prosperity left by the war have died down, leaving a bewildered world struggling to restore out of its broken fragments the delicate and complex fabric of industry, commerce and finance which the Great War and the Bad Peace have brought to ruin.



NATIONAL EXPENDITURE.

MR. McKINNON WOOD.

I am sure every humane person regards the condition of a great part of Europe with the most profound concern, and every prudent person regards it with anxiety.

We find in a statement of the Commission of Public Finance, reporting to the Financial Conference at Brussels last week, that in spite of the economic condition which has been described, it is still the fact that 20 per cent. of the national expenditure of the world is being devoted to armaments.

There is another statement to which I should like to call your attention. The Prime Minister, speaking of the League of Nations, said that in the absence of America and Germany it was not a League of Nations; it was a League of Allies. There is a certain truth in that observation, though I think it goes a little too far. For my part, I attach immense importance to the inclusion in the League of Nations of the smaller nations who are not belligerents. It would be gross flattery of the smaller nations to say that they are all lovers of peace. A good many of the troubles of Europe have come from the aggressive spirit of quite small nations. But, at the same time, I am profoundly convinced that the small nations in the League of Nations will be one of its most valuable elements. For the most part they will have a direct interest in peace, and a direct interest in checking aggressive designs of greater Powers. Therefore I attach a greater importance to the degree in which the League of Nations has been established than the Prime Minister seemed to do. The machinery of that League has been set up. They are going to their permanent home in Geneva in a few days, but the peoples of Europe have to breathe into that machinery the breath of life.

Twenty per cent. of the world's expenditure is being devoted to armaments, and Europe impoverished and enfeebled as we have heard to-day that she is! In our own country we are spending nearly that percentage—something like 17 per cent., I am told—and that at a time when we are reducing that apparent expenditure very considerably by the sale of war stores. It looks as if mankind were positively mad, when so much is required to keep the very lives of the populations of Europe, that so much money should still be spent on warlike preparations. Of our taxes, I am told that something like half is going to pay for the last war, for the interest on debt, and for the allowances and pensions to those who suffered. It is a tragic picture, and the remedy requires to be a very drastic one. It is a change of spirit that is required. I was very much impressed last year, in

reading an account of an address that was given by a very famous Frenchman, M. Anatole France, to the teachers in France. He exhorted the teachers of his country to build up the minds of the young on new principles, to banish from our schools everything which can make children admire war and its causes. "The teacher of the future must make the child love peace and its works." Love peace and its works! That is the motto for Europe at the present moment. "He must teach him to hate war. He must exclude from his teaching every appeal directed towards hatred of the foreigner—yes, even towards our enemy of yesterday; not because one should be indulgent of crime and absolve all criminals, but because any people at any given moment contains more victims than it contains evil-doers; because one has no right to impose the punishment due to wrong-doers upon innocent generations; and finally, because all the peoples of the world have much to forgive each other." Those are profound truths, which I think we ought to lay to heart at this moment, for the reconstruction of Europe depends upon our realising them.

These words strike at many root ideas of the old diplomacy and the old statecraft, but who, listening to them with a seeing eye and an understanding heart, can deny their truth and wisdom?

The prime necessity for Europe is peace—a firm, settled and enduring peace. We in this country ought to set a great and magnanimous example in foreign affairs. For us there should be no aggression. For my part, I cannot help thinking that at the present moment we are straining, if not over-taxing, our resources, and that it would be not only righteousness but wisdom for us to show a great example by abstaining from any exhibition of the spirit of aggression. We are very slow, I think, to recognise that we have dissipated in this war a great part of the wealth of Europe. I remember in the beginning of the war talking to an eminent financial authority, and he said to me—it was in the very early days of the war—"This means that half our wealth is gone," and if you take the thing broadly I think that is true, even of this country which has suffered less than some others. But we do not realize two facts sufficiently—that we are poorer people in a poorer world.

Now what is the remedy? The one remedy is international co-operation. We have got frankly to realize, and act upon the realization, that we are all members of one another, not only in nations, but nation with nation. I think we are bound to recognize it, not only on higher, but even on lower grounds. Not this country, nor even the great United States of America, great as has been its advantages during the war, can afford to regard themselves as independent of the other nations of the world. They cannot

maintain their prosperity unless Europe recovers its condition. And, this is my last word, until we recognize that fact, until we recognise that the world is one, until we recognise the ideal of the League of Nations, that the world has common interests, and that individual interests must be subordinated to those common interests, in my opinion we have not arrived at the beginning of wisdom.

SOME FACTS ABOUT GERMANY'S COLLAPSE.

FRAU. ADÈLE SCHREIBER-KRIEGER, M.P.

Before taking the reconstruction of Europe into consideration we must turn our attention to the collapse and realise the depth of the wounds which have to be healed. The proceedings of this Conference would be incomplete if we did not make a brief excursion into the country of shadow and death, which is known to-day as Central Europe.

In this short space it will neither be possible for me to go into details, nor to cite all the sources from which my figures are taken and give the names of my authorities. I shall be ready to place the full material before anyone interested in these matters.

Since November, 1919, when the first Conference of the Fight the Famine Council took place in London, things have not improved with us; they are in many respects much worse.

The depression of the German exchange has the same effect as a continuous blockade upon the mass of people without means, for it is impossible for them to buy the articles which might be imported from outside. A significant sign of the chaotic conditions of our industrial life is the state of our currency, which was worth 60 per cent. at the time of the Armistice and 33 per cent. at the signing of the Peace Treaty, and has since fallen to 10 per cent. or even lower. A gigantic rise in prices has taken place in the last year; prices rose between July, 1919, and March, 1920, in a much higher degree than in the whole time between 1914 and 1919.

I will give a few instances: Forest wood, which before the war cost Mk. 25, and in July, 1919, Mk. 80, rose in March, 1920, to Mk. 800! Kindling wood rose in the same proportion in the last mentioned period, from Mk. 200 to Mk. 2,000. Wood for paper-making from Mk. 16 to Mk. 225. Printing paper rose in the last few years about twenty-fold, type about thirty-fold, porcelain about twenty-fold, as com-

pared with previous prices. The reserves painfully accumulated for years by individual households have been completely used up owing to the impossibility of supplementing household equipment. The number of households that still possess the ordinary requisites becomes constantly smaller, and many of the so-called middle class have become completely assimilated to the proletariat. The position of the small rentiers is hopeless—that is, of the older people who can no longer earn money.

But serious as these individual tragedies are, there are for the economic restoration of Germany, which is the question before this Conference, two problems of great importance: (1) the condition of our children, of the youth of the nation, which makes it clear that a people whose health is so undermined by underfeeding, tuberculosis and rickets cannot perform any work of reconstruction; and (2) the tremendous obstacles which to an ever-increasing extent stand in the way of our intellectual and moral development.

Divergent as are the statistics of tuberculosis in different places, they all agree that infection begins at an earlier age than formerly, and attacks are more severe and lead more rapidly to death. Rickets are terribly prevalent. The average weight of children at birth is lower; the number of premature births increases. Infants are often in a wretched condition in consequence of the under-feeding of the mother. Children of three to four years old who cannot run or even stand and sit—formerly rare exceptions—are now frequently to be seen; children who could once walk have forgotten how to do it. Cases of diseased bones are the order of the day. The physical development of children is so retarded that in many places doctors have demanded postponement of first attendance at school until the seventh year. Medical examinations at schools show that whole classes are underfed, and are two or three years behind in weight and stature. Given this state of malnutrition, no description is necessary of what the lack of clothing and warmth in the homes and also shortage of housing signify.

Of 84,000 children in the schools in Munich, 75 per cent. between nine and twelve years old had not a single pair of good boots; 40 per cent. only one shirt or vest; 30 per cent. to 40 per cent. no soap; 40,000 were underfed; 25,000 seriously underfed. We know that very often the impossibility of sending a child into a home or to the country for recuperation means a sentence of death.

Particularly serious are the sufferings in the occupied areas, where commandeering of houses for the armies of the Entente produces tremendous congestion in the schools and dreadful housing conditions at home, and where the rise in prices is highest. Thus we hear from Mainz of classes in which 70 per cent. of the children are tuberculous.

Who can expect good results from the work of children who on leaving school are physically and mentally incapable of taking up the struggle for existence, whose wretched state of health makes it impossible for them to derive benefit from the instruction given? The general level of production in Germany is bound to fall, as even our creditors must see.

The future of our intellectual life is most seriously threatened. Most students' incomes are less than the minimum wage of a labourer. They are obliged to take up supplementary work: many not only do clerical work, but they clean the streets, chop wood, etc.: in their need they are obliged to work for lower wages, and are employed at rates far below the ordinary wages. In Frankfurt-on-Main, where bare subsistence is reckoned to cost Mk. 700 a month for a workman, only 47 per cent. of the students have an income of more than Mk. 500, while 18 per cent. only possess Mk. 350. In all university towns we find numerous students who cannot provide themselves with a regular hot meal daily, a room to themselves, heating, light, or the most necessary clothing. At the same time apparatus for study has become unobtainable: microscopes are 50 times their former price; the enormous rise in the cost of books is well known. Quite a number of towns are threatened with the necessity of closing secondary schools, because subsidies are no longer obtainable.

The continued work of the university institutes is seriously endangered. Research work of the greatest significance for the world has had to be discontinued; in particular inquiries into cancer and tuberculosis have had to be stopped owing to lack of money. Publishers for scientific books can hardly be found. The fruit of intellectual work is withheld from the world.

Devotees of nearly all the free professions, particularly authors, journalists, painters, sculptors, are in a most serious state of want. Even the musical life of Germany, the high level of which has never been disputed, even by our enemies, is jeopardised. Good orchestras are threatened with dissolution because municipalities can no longer pay subsidies. Musical teachers of the first rank lose their income because musical teaching has become too expensive for whole families, and pianos, which have risen about twenty-fold in cost, are not procurable. Out of 233 lecturers in the Prussian universities, only 13 had an income of more than Mk. 10,000 a year. The Association of University "Coaches" ascertained by means of a circular enquiry at Halle that the average income derived from university work as Mk. 1,070 a year; only four coaches had sufficient private means to bring their income above Mk. 10,000.

Prices of medicines have risen so tremendously that, as a medical witness bitterly testified, besides those entitled

to sickness benefit, only war profiteers can obtain necessary medicaments. A kilo of morphia cost in 1914 Mk. 300, in 1920 11,000; a kilo of codin in 1914 Mk. 315, in 1920 Mk. 13,000; a kilo of cocaine in 1914 Mk. 155, in 1920 Mk. 15,000.

In order to arrive at a judgment on the extent of the German collapse the former high standard of life must not be forgotten. We are dealing with a country with a highly-developed system of social legislation; now many of the best social institutions are threatened with having to close down through lack of money. The confusion in our economic conditions is indescribable. If our exchange falls we cannot obtain the necessary raw materials and means of existence abroad; if the exchange rises our production for export is paralysed. Millions in Germany to-day need furniture, beds, bed-clothes, clothes, underwear, books, housing, and yet unemployment grows continually. The position can only be improved by international measures, by stabilising the currency, if one economic crisis is not to be followed by another.

I have given a short description, but one could fill volumes with similar material. I have spoken from personal experience as a social worker who has come in daily contact with this misery. I feel most deeply the tragedy that it means for us women to be able to realise no part of our ideals at the moment when we have obtained access to Parliament, and influence on legislation, because we are prevented by the economic collapse. We are not even in a position after the war to prevent the destruction of men by destitution, war in another form, and I feel most keenly, as a woman who has always opposed the death penalty, the sight of hundreds of thousands of innocents condemned day by day to death.

CONDITIONS IN ITALY.

CONTESSA LISA SCOPOLI.

It is my intention to state as briefly and as clearly as possible the economic situation and the needs of Italy, which do not much differ in quality from those of other nations, but are felt with greater intensity by reason of her lesser financial strength.

The war has seriously re-acted on our industries, causing a shortage in the means of transport, a lack of fuel and of raw material. Owing to transport difficulties the cotton industry could not obtain an adequate supply of raw cotton. Two million nineteen thousand quintals of wool and cotton had been imported in 1913, and in 1918

the amount had decreased to one million three hundred thousand quintals. Silk factories could not import cocoons from the Near East. Raw silk production in 1918 fell to two millions seven hundred thousand from nearly five million quintals in the years previous to the war. In the wool trade the available supplies of raw material fell from year to year. The invasion of the Venetian Provinces deprived our national industry of some three hundred thousand spindles. Another very flourishing industry was that of felt hats, which has greatly suffered, as 70 per cent. of its output was absorbed before the war by foreign markets.

Fishing, especially in the Adriatic, has been absolutely destroyed; not only during the war, but even now, the fishing populations of the coast are deprived of their principal means of livelihood by the danger of floating mines. Coal, whose importation reached nearly ten million tons, average, between 1909-13, has been reduced to 6,226,000 tons in 1919. Our present deficit is estimated at about 14 milliards lire. The interest on our war debts comes to about 5 milliards a year. Our debts in 1920 amount to about one hundred milliards lire against little more than 15 milliards in 1914. The total amount of paper notes issued by the State and by the banks on account of the State, which before the war barely amounted to half a milliard, had risen by December 31st, 1919, to nearly 13 milliards. Largely in consequence of this inflation the purchasing power of our money has tremendously diminished, as proved by the quotations of our international exchange, which before the war was practically at par, *e.g.*, the pound is now more than three times its former legal value, that is, over 80 Italian lire. The difference in imports between 1914 and 1919 is over 16 milliards, while exports have increased by little more than 3 milliards. War expenditure, including preparation for war, has been reckoned at 68 milliards against 6 in the corresponding period of peace.

A very serious and many-sided question is represented by the liquidation of such industries as have grown and expanded, thanks to the artificial conditions imposed by the war. To this are partly to be ascribed the riots and the seizure of factories which recently took place in the chief manufacturing centres of Italy. The metal industry is a typical product of war necessities and an artificial growth. What proportions this growth has taken can be gathered from the fact that, whereas there were eight electric furnaces before the war, one hundred and eighty were built in war-time to meet military requirements. All kinds of metal production was intensified. The colossal concerns of Ansaldo, Ilva, etc., developed a power out of keeping with the normal demands of the country, while the lack of the necessary raw material prevented a good export trade. Hence the absorp-

tion of capital and raw material, especially fuel, to the detriment of other industries, a need for protection resulting in higher prices for the consumers, and out of all this a financial result which, if we are to listen to the complaints of the managers, is inadequate to the demands of the workman for higher wages, and which gave rise to the conflict leading to the sad situation we have just witnessed.

Agriculture has also greatly suffered from the war. Firstly, through the scanty cultivation during the war period, from the almost general mobilization of peasants, from the diminution of cattle, and the lack or prohibitive cost of chemical fertilizers, phosphates, etc., whose reduced imports still seriously impair the growing of our crops. The importation of chemical fertilizers, which in the years 1909 and 1913 rose to more than 160,000 tons, fell to 15,000 tons in 1916. Besides this, our export trade to Germany has not yet found any other channel, and though home consumption has increased, the closing of that outlet has certainly meant a lesser incentive to production. To this direct result of the war we must add the restlessness born of the abnormal life led in the last six years. Emigration has not only stopped, but a great number of our emigrants have come back, so that their remittances, which represented an important item in our national economy (about half a milliard yearly), as well as a great improvement of general conditions in rural districts, entirely disappeared.

The difficulties opposed by foreign countries to immigration ever since the war, added to those of transport, have contributed to make our problem of unemployment more serious, by practically compelling our men to remain at home. When we think that the average figure of emigrants for the years 1910-14 was 649,274, it is easy to see what it means on the whole labour market. In regard to our supplies of pig-iron, the annexation of Alsace-Lorraine to France has damaged our previous situation. Before the war, Italy used to import thence 200,000 tons, but since the annexation that source of supply was stopped. The same can be said of the scoriae Thomas and potash salts, of which Italy before the war imported respectively 150,000 and 20,000 tons. Notwithstanding these handicaps, the Italian people set to work as soon as the war was over, and is bearing heavier taxation than any other people. No other countries have taken such drastic measures against war profits. Notwithstanding the general situation, the last loan proved a real success. Foreign trade shows a less unfavourable balance than it has done for a long time. Many trades, especially the textile, paper, tanning, and motor car industries, have resumed their work with great activity. From the annual report for 1919 of Signor B. Stringher, the Director of the Bank of Italy, we gather the following facts: speaking of

the reconstruction of our shipping, he refers, in relation to the great difficulties opposing it, to the rate of exchange, which makes the acquisition of foreign ships practically impossible, while raising to a frightful level the cost of raw material we need for shipbuilding. Notwithstanding this discouraging situation, the Italian docks have not ceased to work. On the contrary, work has proceeded so steadily as to reach by the end of 1919 1,750,000 tons against 1,958,840 tons before the war. As will probably be remembered, Italy's loss through the war had reached about 60 per cent. of her previous tonnage, but even though she may by now have regained nearly her pre-war tonnage, the shortage, in comparison with her present needs, is such that, according to a rough calculation, her actual tonnage is barely sufficient to carry a seventh of her total imports. Considerable progress is shown by hydro-electric enterprises, and industrial investments have increased from about three hundred millions in new investments in 1913 to three milliards in 1918.

Before leaving Italy, I enquired from competent experts in economics how the Allies, and especially England, might contribute to her economic reconstruction. With one exception, the Hon. de Viti de Marco, whose opinions deserve the highest respect, they generally agreed on the expediency of Mr. Keynes' proposal, as stated in his book, "The Economic Consequences of the Peace," that is, the wiping off of war debts between the Allies, which would allow people still smarting from the war to free themselves from the burden hanging round their necks. Should the burden of our foreign debt be taken from us, our financial life would resume a normal rhythm, many useful activities could be resumed, taxation would be less paralysing than it is now; in fact, the cancelling of our foreign debt would react on every branch of our national life.

A question of great importance to us is that of raw materials. Our natural scarcity of them and our geographical situation, which necessitates a considerable amount of tonnage, put our industries in a very inferior position compared with other countries, but this natural handicap is made much worse by any kind of preferential tariffs. For instance, the importation of about ten million tons of coal is absolutely necessary if we are to keep our factories, railways, ships, and gas supply going. What we would ask from England is an equal price for home consumption and foreign customers. I would like to refer to a very fair article in "Common Sense" of September 11th, whose title, "Squeezing the Foreigner," very picturesquely expresses what the Italian consumer feels on the subject. I take from it the following figures, they will speak for themselves: a ton of Cardiff coal costing 56s. in London, costs 145s. in Genoa, plus 25s. freight, which at the present rate of exchange

means about 700 lire per ton. The system can hardly be said to show the friendly dealing a poor partner would expect from a rich one. This, apart from the quantity we obtain. Up to now (last quarter of the year) we have obtained but one-third of the total amount agreed upon.

But the point on which all efforts should concentrate is the gradual establishment of free trade and of the principle of co-operation. Before the war trade intercourse between Italy and the Central States was so close and manifold that it practically came to an unacknowledged tariff union. It is not improbable that we may resume our trade with Germany and with the small nations born of the Austrian Empire on a large scale. But this should not prevent a similar economic agreement taking place with France. If at the head of our respective Governments were men of a wider outlook, they would encourage the exchange of our products to our mutual advantage, establishing something like a division of labour in regard to wine, silk, furniture, and other goods; in many instances French manufacture has attained a very high standard of finish. Her wine trade is very well organised; why could not some arrangement be brought about gradually intensifying our collaboration, eliminating duties, and widening our mutual sphere of action?

As one of our chief needs is to increase production and exports, it follows that we simply could not do it should other states forbid exports of raw material, food stuffs, or half-finished goods from their territory or colonies, and that no preferential duties should be applied in regard to such goods, but an equal price be fixed for home and foreign consumption.

It will be hard to realise such a programme under our present rulers; many forces are at work, especially in smaller and poorer countries, to raise protective walls to defend tottering industries from the competition of more favoured ones. We cannot reasonably expect a country like Italy, in her present condition, to set the good example towards Free Trade. Such an example can only come from one country in the whole world, by reason of her experience, her wealth, and her tradition—that is from Great Britain, and she might effectually help in the progressive adoption of Free Trade by proposing reciprocity of treatment in regard to certain goods.

I wish that the opinion of such men as have promoted this conference might prevail among English political leaders, so that England could really set the example of the international reform so sorely needed, and that she might wield her great financial power to compel other countries to apply the same principles to their foreign policy.

If Great Britain were to declare herself ready to wipe off her Allies' war debts in return for their compliance with some

of the above demands, how could she meet with a refusal? We do not ask for any special favours or bounties; all we ask from our friends is to enable us to work efficiently and successfully at the reconstruction of our country's finance, and to act in a spirit of sincere friendship, to which we are ready to respond in all loyalty and good-will.

JUGO-SLAVIA: Obstacles to Reconstruction.

MR. F. E. WOODHOUSE.

It is with great hesitation that I venture to address this Conference on the subject of the economic conditions of Jugo-Slavia, seeing that I can lay no claim to being specially versed in any of the very important questions which are under discussion.

During the last two years I have been working with a Relief Mission in Serbia, and in this capacity I have travelled extensively over all the countries comprising the new Jugo-Slavia. Hence I have had the opportunity of making personal investigation into conditions in the various parts of the country, as well as discussing the situation with responsible officials in the Central Government in Belgrade, and also in the local Governments of Bosnia, Herzegovina, and Montenegro. Let me explain in the beginning that any information or opinions that I may bring before the Conference are for the most part unsupported by anything in the nature of official statistics. Official information is either not to be had or quite unreliable, and what I have to say is the net result of information gathered from both official and private sources, sometimes at variance with Government reports, but in the main reliable. First I will deal briefly with the economic situation in Jugo-Slavia from the point of view of pre-war standards. Jugo-Slavia has ample and to spare to maintain her population according to the primitive but very generous standards of those times. Herzegovina and Montenegro cannot produce enough foodstuffs, and are in serious need at this moment. To remedy this situation it is only necessary to arrange for the exchange and distribution of commodities between district and district. One of the most pressing needs is for a real unity and co-operation between the various countries in the united kingdom of Serbs, Croats, and Slovenes. From the economic standpoint the kingdom is still, as it were, divided into watertight compartments—this is a point that I shall refer to when speaking of the political situation.

Much has to be done, however, to enable Jugo-Slavia

to attain to economic, political and social progress, and to help her backward people to advance to a more cultured way of life. Agricultural implements are lacking, hence in most parts of the country the land is producing only a proportion of what it might under more thorough cultivation. Printing machinery is rare and primitive, therefore books are scarce and education at a very low level outside the biggest towns. High-grade mechanics' tools and appliances, steel and iron for building purposes are practically unobtainable, and this hinders the repair and construction of factories, schools and railways. This in its turn in a hundred ways clogs the wheels of commerce and prevents the interchange of necessities between one part of the country and another.

These are only a few of the things that Jugo-Slavia needs to obtain from outside sources—and apart from the present situation in Europe, with its stagnation of commerce, Jugo-Slavia has plenty to offer in exchange.

From this year's harvest there is a huge reserve of maize and wheat, while live stock is abundant (even if not up to pre-war level); dried plums of finest quality are a speciality of Serbia; both Serbia and Bosnia have almost inexhaustible timber supplies, hides are greatly in excess of local needs in every part, and there are rich deposits of copper and other minerals in many places. Copper is already being worked to a limited extent in Serbia by French concerns, and I learn recently that large deposits of magnesite have been located in Bosnia, and that a company is being floated to exploit them.

It would therefore appear that, under more normal conditions, and given proper trading facilities, Jugo-Slavia is not only well provided for, but can make a valuable contribution towards supplying the needs of the rest of Europe.

But the same difficulties which are proving the stumbling blocks to economic recovery in almost all the countries of Europe are present in their most aggravated form in Jugo-Slavia. I refer to inflated currency, customs barriers, injustice of the Peace Treaty, lack of confidence, and internal disorganization.

It might be agreed that all these hindrances to prosperity would disappear with a revision of the Peace Treaty in accordance with the League of Nations idea—but this is a point upon which I do not venture an opinion. Let me deal briefly with these points in order.

Currency.—Jugo-Slavia is embarrassed not only by a currency of a very low value, but also by the circulation of two currencies within its territory which are in entirely false relation to each other. Until about a year ago the Kröner currency, which circulates in the late Austrian territory, and the Serbian dinar were exchanged on the market at prices fluctuating from 3 to 3½ Kröner to the dinar. The relation

of the two currencies has now been fixed at the arbitrary rate of 4 Kröner to the dinar. This has naturally caused widespread discontent amongst the 9 million people who use the Kröner as compared with less than 4 million in old Serbian territory where the dinar circulates. This, however, is only a minor difficulty in the way of trade recovery.

The Serbian dinar, normally equal to the French franc, stood at 25/£ in December, 1919, 210/£ in March of this year. Sudden and drastic restriction of imports caused a recovery to 60/£ by July, but the rate has again dropped to 100/£. In other words the Kröner, worth 24/£ normally, fell to 840/£ in the spring, recovered to 240/£ in the summer, and is now back to 400/£. It is the universal complaint of merchants that it is impossible to buy and sell on a large scale from outside with the foreign money market in so unsettled a state. It is claimed that Jugo-Slavia has commodities to give in exchange for imported goods, provided a means can be found to overcome the exchange difficulty, and to provide security against loss.

Customs Barriers.—I have already referred to the fact that in order artificially to remedy the falling rate of exchange in the early part of this year, the Government made drastic prohibitions of imports of so-called luxuries, and took into their own hands all banking transactions with abroad. Exports also are under rigid Government control, and even when special authority for export might be obtained the effect of bureaucratic interference and delay discourages enterprise in foreign trade. When I last went into the question of the ever changing import duties the *ad valorem* rates were 30 per cent., 40 per cent., and 50 per cent., according to the nature of the goods. Strangely enough, customs barriers are still in force between the various States in Jugo-Slavia. The traveller entering Belgrade from Croatia has his luggage searched for taxable merchandise: likewise it is illegal to carry Bosnian tobacco into Serbia and *vice versa*.

All these restrictions act as brakes on the wheels of commerce, and there is an urgent need for a more long-sighted—shall we say more courageous—trade policy on the part of the Government.

Injustices of Peace Treaty.—On this point I would take up rather a different attitude from those who advocate the nationalist aims of Serbia. My concern is not as to whether the part played by Serbia in the Great War, and her appalling losses, deserve better territorial awards than those made by the Peace Conference: nor what is the predominating racial sentiment in Istria, Fiume, or Salonika, for example: but rather what does the welfare of the peoples of Europe demand in the way of transport and commer-

cial facilities for the territory in question. I suggest that in so far as the Peace Treaty has left vast producing areas such as Jugo-Slavia with no free outlet to the sea, it has seriously hindered the recovery not only of those regions, but also of the whole of Europe. Jugo-Slavia has rail communication with the sea by a single-track narrow-gauge line through Bosnia to Ragusa and Metkovitch; two small and quite inadequate ports on the Adriatic. Trade via Salonika on any extensive scale is out of the question owing to formalities and delays at the port and on the Greek railways, aggravated, no doubt, by racial animosities between Serbs and Greeks. The same also applies to Trieste and Fiume under the present régime.

Jugo-Slavia is in no worse plight than Austria and Hungary in this respect—no doubt she is better off—but the situation in all these countries calls for a revision of the present Adriatic situation.

I now turn to what I have described as lack of confidence. Conversations with Jugo-Slavs of every class convince me that there is a growing suspicion and distrust of the Triple Alliance, and it is not to be wondered at. Serbia now finds herself deserted and ignored by the Powers who posed as her protectors, except in so far as they have selfish ends to serve.

Credit, so lavishly advanced for purchasing machinery of war, is not now forthcoming for the reparation of the damage and building-up of commerce.

In consequence of this distrust one now sees the defensive treaty concluded between Jugo-Slavia, Czecho-Slovakia, and Rumania; and I learn that Bulgaria is now making overtures to join the alliance. I express no opinion as to the wisdom of the treaty as such, but I do suggest that this move shows that Europe is drifting further and further away from the League of Nations idea; and that the smaller Powers are being driven back to the old expediency of making the best shift possible for the emergencies of the moment. This lack of confidence I regard as a most important factor in the problem of a Balkan settlement. It percolates through every department of Government and trade, increases the burden of armaments, prevents commercial enterprise, and stops the flow of the life-blood of national and international life.

It is something that can only be removed by the League of Nations idea. All that is necessary for the restoration of international confidence, the stability of the financial situation, and the quickening of trade has been proposed in the Brussels Conference, and it is to be hoped that the Governments concerned will act on those recommendations.

ECONOMIC CONDITIONS IN POLAND

DR. JANICKY.

Poland has now an area of nearly 180,000 square miles, with a population of more than 25 million people. She is very rich in natural resources. Her coal deposits are some of the richest in the world; she has extensive oilfields and the only supply in Europe of mineral wax. She has very large salt deposits and marble quarries, and extensive iron, lead, copper, sulphur, and spelter mines. Her agricultural products, especially wheat, were known for centuries, during which time she was the granary of Europe. She has a very large sugar industry, and her agricultural by-products industry is the greatest in the world. Poland has extensive forests and a large timber trade. Her other industries are also very highly developed, especially the textile industry of Lodz, Tomaszow, Czestochowa, Biala, and Bielostok. Polish industry before the war produced goods for a value of £250,000,000, employed 1,500,000 people, and her foreign trade amounted to £250,000,000.

We are a democratic country, and our peasantry and working class are strong and well organised.

And yet, when you cross our frontier, you see misery everywhere.

With the exception of our mines, which we managed to keep working even during the worst time of the war and the output of which is now almost on the pre-war level, our industry is only partially mobilized, although we are in the greatest need of everything, and are unable to buy what we want abroad.

What are the causes of this state of affairs? They are very numerous, and it would take too much time if I were to enter into them in detail.

There was an opinion expressed lately that the bad state of our affairs is due to bad management by our statesmen. But I must absolutely deny this. Our public men are as able as public men in other countries, but the task they have to deal with is too great for any man except a genius, and there are no geniuses now anywhere. What, then, are the causes of this situation?

Some of them are political, and others economic. We must always keep in mind the fact that Poland was divided during 140 years into three parts and enslaved to foreign will which aimed at the destruction of the Polish nation. You will find that the unification of these three parts could not work smoothly at first. Thanks to special trade regulations, imposed by the participating powers in the

past, it is still now easier for a tradesman in Posen to do business with Berlin than with Warsaw, or for a tradesman in Cracow to do business with Vienna than Lodz. Commercial unity is not to be brought about in the course of a year or two. Our country has had to deal with four currencies, three different codes of law, three customs tariffs, etc., and the war still further aggravated this situation. The enemy armies ravaged and robbed our country. Germany did all she could to destroy our industry, and the Russian army burnt down everything it could not carry away in its retreat.

Now we have to wage a war for existence, and having no capital available for these enterprises we are waging war on credit, making our children pay for it, but we ourselves are ready to pay our share. We asked our liberators to help us, but they did not come to our rescue. Then, the printing machine with its paper money worsened our economic situation. We are now unable to buy raw materials or to sell our goods. Our old customers are lost to us, and it takes time to find new ones. Our industry lacks machines and tools, and our land, for want of seeds and manure, cannot maintain our population. We have tried to stabilise our finance, we have introduced an income tax, a forced State loan, and we are considering a levy on capital. We have a splendid working class and a strong industry, we are rich in natural resources, *but we badly want foreign capital*. Unfortunately, on account of the bad state of our country, we cannot for the moment guarantee a large export trade, but soon the situation will improve immensely, and Poland will be a great exporting country.

Our industry is suffering especially from lack of coal and rolling stock. The territories composing the present Polish State consumed in 1915 over 20,000,000 tons of coal; of this less than 9,000,000 was supplied by our own mines, and of the rest, almost 8,000,000 tons came from Upper Silesia, over half a million from Austrian Silesia, another half a million from Westphalia, and almost 2,000,000 from Russia and England. We are getting now about half of the present requirements, and one-third of the pre-war supply.

Our rolling stock is very deficient, but we have ordered many thousands of trucks and locomotives in U.S.A., and as soon as we get them our economic situation will be considerably improved.

To sum up, we are now suffering from: 1, unfavourable exchange; 2, lack of capital; 3, lack of machinery; 4, lack of raw material; 5, lack of coal; 6, lack of rolling stock.

The remedies for this situation are: 1, stabilisation of exchange; 2, funding of floating debts; 3, importation of foreign capital; 4, free trade as far as possible; 5, extensive foreign credits for raw materials.

Speaking of remedies, I must still draw attention to one fact, Poland has some old debts to settle with the enemy and the allied countries as well. The first category of these debts is to be settled according to spécial arrangements made by the Peace Treaty. But there remain the other debts. Polish industries are indebted to English traders and manufacturers for raw materials and manufactured goods delivered before the war. Our creditors want us to pay them in pounds. It is, however, obvious that our manufacturers and traders cannot do this now, considering the low exchange of our currency, as well as a new law by which the value of our capital has been very much depreciated. This law obliges our creditors to accept 216 P.M. for 100 rb. of pre-war value. A means must be found in order to satisfy both the foreign creditor and the Polish debtor with the view to facilitating their working together in the future.

After peace is signed and some help is given to Poland in the form stated above, she will recover quickly and will again contribute to the world's well-being as she has always done in previous centuries.

PROBLEMS OF COAL, TRANSPORT, AND RAW MATERIAL: Co-operative Organization and Reconstruction.

SHORTAGE OF RAW MATERIAL.

SIR WM. BEVERIDGE.

I have been asked not only to act as chairman, but also to say something as a beginning. I fear that I have nothing very new to say this time. At one time I perhaps did have something special to say, because I happened to be the British representative of the first Inter-Allied commission which went to Austria, Bohemia and Hungary, in December, 1918, to investigate food conditions. In that way I was, perhaps, one of the first British people to learn something of what a complete collapse the war had brought about among the beaten nations. We went to Vienna and Budapest and Prague, and made a report in Paris. I do not think any action was taken on that report. It was a secret report, which I cannot publish, but I do not think I run any risk in saying that the main tenor of the reports made, not only by myself, but by all the other delegates, French, American, and Italian, was that the food problem, awful as it was in a place like Vienna, and bad as it was in a place like Prague, was really not of such permanent importance as the coal and transport problems. From the point of view of reconstruction, you had to pay even more attention to the question of coal and transports than to that of food. We summed up the needs of Central Europe as "coal and free traffic," that is, the removal of the barriers against interchange of goods between nations, and the restoration of the railways.

It is in regard to the items of coal and transport that I am to say a few words, not that I can say, as I have told you, anything new. I have a very good excuse for that, in that since the report I have spoken of, nothing very new has happened; I think things have gone on more or less steadily from bad to worse, not very fast, but always tending in the same bad direction.

As to coal, it has been a considerable disadvantage that so

many people from England and elsewhere have been to Vienna and not gone on to Prague. When you get to Vienna you find the industries all stopped for lack of coal. The city, as I saw it, on a bright, cold day of last December, from a neighbouring height, shining in the perfectly smokeless, clear air, is a most beautiful sight—a city burning absolutely no coal in homes or factories. Then you are told it is these wicked Czechs who do not send any coal, and you say how horrible that is, and perhaps you think you will go back and see to it that the Czechs give back the coal.

But that is not getting at the root of the difficulties. I am bound to say, and I say it with all respect to the Czechs, whom I have liked to meet, that I do not think they display any great magnanimity; but I do not think any nation in recent years has been giving any particular example of magnanimity. Whatever one may say of the Peace Treaty, whether it be just or not, and I am not saying it is not just, it must be acknowledged that there is nothing in any of its pages of magnanimity; perhaps there ought not to be, but you cannot blame the Czechs for not showing it. I sometimes feel that the leaders of the Czechs must be something a little short of human, not to be affected by the sufferings of neighbours so close to them, but after all distance has not much to do with the matter; we all know all about it; and there is not much to choose between us. We know all about that misery, just as well as they do. And I know of no conceivable moral obligation on the Czechs any more than on anyone else to send coal to Vienna. It is not true, for instance, that all the coal of Austria came from Bohemia. A large portion of it came from Silesia.

There is a general coal shortage all over the world. The Czechs have not enough coal, the Germans have not enough coal; neither the Czechs nor the Germans now export the coal they used to. We used to send ten million tons to Germany, seven millions to South America; we are not doing that now; and in South America and Germany, partly as a result of that, there is a great coal famine, but nobody suggests that because we are not sending coal to Germany we are doing a wicked thing, or that we have a duty to keep up the coal supply of South America. Yet we are no more separate a people from Austria than the Czechs are. So simply looking to the Czechs to remedy the evil is seeing the problem out of perspective. I agree that at the time the Treaty was being made, at the time of the recognition of the various states, Czechoslovakia, Jugo-Slavia, and others, that was the proper time for putting in a provision as to the supply of coal to all countries. That was a lamentable omission, say, from the Peace Treaty. But the omission was made; the new states were set up without any effective conditions as to coal supply, and, having given these states their start without conditions, it is impossible now to impose conditions on them.

As a matter of fact, there is a clause—Clause 224—which is intended to provide that coal shall go from Bohemia to Austria, but it is not a very well-drawn clause, and you can always get out of it if you want to. The Czechs have no special reason for gratitude towards the Austrians, or any example of magnanimity in the action of the Great Powers. They are not very enthusiastic about this clause, and they do not go out of their way to act on it.

I do not know either who, if anybody, could enforce such a clause to exact exchange of coal for raw material. I have never yet found out who does enforce a Peace Treaty. I hope to learn. I did make some enquiries in passing through Paris some time ago, but I literally found nobody who thought it was his business, and I do not believe it is anybody's business, unless that of the League of Nations.

The question of coal is not one to be solved by blaming the Czechs, or the Poles, or any of the new nations. The difficulty is that you have a given coal shortage, partly through shorter hours in the mines, partly through the destruction of a number of mines in the war, partly through depreciation of machinery, and partly political uncertainties as to the result of plebiscites. I was in Vienna a year ago, and was implored, I think by a Czech (in the coal business), for heaven's sake to get this plebiscite business over—"We can't get any work done," he said, "as long as this uncertainty as to what country people should belong, goes on, and while every party is busy trying to bribe people to vote on one or the other side in the plebiscite." The shortage is quite general; we, of course, have it in this country, though we are not particularly short compared with most others, because we keep what we need and export what we can spare, and that is much less than we used to send before we cut off the supply to South America, Germany and other places.

When during the war time we got a general shortage of food in this country, the only way to prevent most people from starving was to have some form of rationing, some way of deliberately seeing to it that everybody could get a minimum. It is perfectly clear that, to-day, unless every state is in some way able by its own production to get the minimum provision of coal, you must take means first to get it or let that state die. Coal is an absolutely indispensable part of work and production, and, unless you get a certain minimum of coal in every country, you will have in the country that lacks coal, unemployment of the whole nation.

That is what I have to say first about coal. I have dwelt upon the Austrian case to illustrate that it is only part of the general shortage. Austria does not get any coal, because what she used to get came from Bohemia and Silesia; she does not get it from Germany, partly because Germany does not get as much from England as she used to, and partly because she

has to send coal on reparation account to France. Bohemia is, of course, also short, and has a reduced output. You cannot deal with all this by abusing the Czechs.

With regard to transport, that has two sides to it. Owing to the lack of repairs during the war, owing to raiding and destruction, the railways are inefficient. That is one side of the difficulty. The other side is that, even if the mechanical means were perfect, there would be no freedom of traffic. You have all these new states created, every one of which sets up barriers to traffic against its neighbours. It is a curious result, but it is nevertheless the case. The new frontiers are not much longer than the old ones, but are a much greater obstacle to traffic, for they are in the wrong places for that purpose, and are, therefore, of course, a much worse barrier than before. In Austria-Hungary you had a single free trade unit, in which the factories were distributed and the railway lines laid down on the assumption of free traffic. The famous Southern Railway from Vienna, formerly crossed no frontier, now it is controlled partly by Austria, partly by Jugo-Slavia, and partly by Italy. Going from Vienna, the trunk lines radiate out, and suddenly come up against barriers against traffic. On the other hand, branch lines going on without interruptions have to be treated as if they were main lines. You have, therefore, to have a re-orientation of all your railway systems, which involves an immense amount of capital expenditure at a time when there is no capital to spare in the world.

All transport is, therefore, in a hopeless condition, partly because, having an already built-up economic system as one principle, you have to recast it on new lines. You have a big unit of production not producing for these two reasons. What that means to the people themselves I am not going to dwell upon. It does not mean *much* distress in purely agricultural regions like Jugo-Slavia, though they, of course, suffer somewhat from the lack of raw materials; it means more distress in Bohemia, which is rather more removed from the primitive and agricultural life; but when you get to a place like Vienna, which is economically the most advanced of all, dealing with finance and commerce primarily, you get the most distress of all.

I want to refer to one point in which it affects also ourselves. The laying idle of this productive mechanism, at a time when there is a great shortage of commodities and money all over the world, simply means the keeping up of prices everywhere. I suppose there is nothing, or hardly anything, of which the price at this moment is relatively so high as paper. Two of the great paper producing countries of the world were Germany and Austria. In Austria the paper industry is stopped for want of a comparatively trifling quantity of coal, which, by increasing the supply of paper would be bound to

reduce its price. I mention that because it is a thing that comes home to all of us—and also to such bodies as newspapers.

The settlement we have attempted to make of the Central European problem has not been successful. We might have tried to settle it on one or other of two lines. We might have made new economic units, taking care that each one was able to be independent by itself, with sufficient coal and raw material to feed itself, and deal on equal terms with its neighbours. Then we might have said to these states: "Work out your own salvation." But we did not do that. The most striking instance is Austria. If you do not do that, then what you have to do is to take active steps to see that coal and transport and free traffic are provided for all peoples. Unless one lives on dividends, there are just four ways of living: to work, to beg, to steal, or to starve! This is true for individuals, and it is true for states. A country like Austria, under present conditions, is not able to work, is not strong enough to steal, and has the alternative of begging or starving. We are doing nothing to improve this condition, or nothing that we have done is of any use. The position is just what it was before, only slightly worse. That being so, what is the remedy?

Some people say that, as far as Austria is concerned, you will get the remedy by letting it join Germany. I agree that it is indefensible, at the same time, to prohibit this union and not ourselves to see Austria through her trouble. But, personally, I have felt that a solution by joining Germany was not the best solution, because, for real economic life in Central Europe you want to keep that old economic unit of Austria-Hungary together, and have Austria work with the Jugo-Slavs and the Czechs rather than join Germany. I have always taken the view that there was something to be said against having the union of Germany and Austria, but you cannot hold to that unless you are prepared to see Austria through. On the other hand, I know that Germany is not in a position to do much for Austria. I think it is doubtful whether Germany would welcome Austria. I should like to hear some of the Germans here say whether they have a superfluity of coal or food!

It is difficult indeed to suggest a solution. For one reason, of course, you cannot get any public opinion in this country or in any of the victorious countries to interest itself in the matter. The public leave these things very much in the hands of the Governments; it always has been so, and it always will be so. I am bound to say I do not see any sign of the Government here or elsewhere doing much in this direction. When we consider the conditions in Central Europe, I sometimes fear that we are letting our own Government lead us into a criminality, I will not say equal to, but of the same type as the leaders of the German Government led

their people into six years ago. There is, I think, a crime against humanity being committed at this time. The great difficulty is that you cannot get public opinion to move; it is very difficult to get Governments to move now; and also it is very difficult to suggest any simple remedy. There is no simple drug you can prescribe; it is a question of long, laborious treatment, and if you are really going to organise the distribution of coal so as to get some to each country, you will have to get some great *international* power to do it. I used to think you might get some economic council, but economic councils are rather out of fashion just now. I do not see anybody to do it but the League of Nations. It does seem to me that if the League of Nations cannot deal with a problem like this, it is hard to know what it is there for at all. I cannot conceive of anything that would more completely serve to establish the League of Nations in the hearts and gratitude of humanity than its undertaking of this practical problem of coal and transport and raw material in Europe. I myself am convinced that the enormous mass of people in this country are firm adherents of the idea of the League of Nations, and anxious for its success, but because of the scope of its activities there is the danger of its becoming a little vague, and here is a practical thing to be done—to organize coal distribution so that no nation shall absolutely starve for want of it, and to break down all barriers between states.

Nobody is doing this now, because it is nobody's business and everybody's business. Is it not the business of the League of Nations? I do not suppose their terms of reference were drafted with this in mind at all, but nobody else can do it. If they could do it I feel there could never be any doubt of their use, and if they cannot do it, I do not see what use they are, and I think we ought to have another body altogether.

Whether we shall just get through, without big calamities in Central Europe, I do not know. There is a tremendous power of survival in human nature, but if we do, we shall get through not on our merits, but by accident.

The two things necessary, the two immediate things, as it seems to me, are to get some international body with power to secure a minimum of coal for all nations to work with, and to get through the same power the breaking-down of all economic barriers between nations.

THE AUSTRIAN COAL PROBLEM.

DR. HERTZ.

Whoever visits Vienna to-day will be impressed by a change. Activity of trade is apparent, and despair and sorrow less visible. But this change is more apparent than real. The activity in streets, trade and restaurant business is largely displayed by foreigners, who are flooding Vienna for different purposes, and, in so far as the change is real, it is due to a great extent to the relief given to Vienna from other parts of the world. The conditions of production have not improved very much; our industries are working at a rate of about 25 per cent., and our great iron works, which form one of our chief industries, are only producing ten per cent. of the big iron output that we had before the war. The main cause of low production is scarcity of coal and coke.

I shall only, perhaps, point out now a few of the conclusions from the memorandum which I have prepared and handed to the chairman. Austria has about thirty per cent. of her former industrial workers, and twenty per cent. of the total surface of steam-boilers; from the coal deposits of the former empire, only half per cent. falls to us, and ninety-nine per cent. is divided almost equally between Poland and Czecho-Slovakia; the Polish mines are not being developed though the Czecho-Slovakian ones are. The mines in German Bohemia have been handed to Czecho-Slovakia, and most of the mines in these countries were developed by Viennese capital and energy and enterprise. Yet we cannot get an adequate supply of coal, in spite of intervention on the part of the Allies, who have tried to help us very energetically. In the first nine months of this year we received about 26 per cent. of our normal coal requirements, but in the last months this has risen to about 40 per cent., so that there is an appreciable improvement. Of course, conditions are not normal, the coal output is lower everywhere than normal.

We have two great sources of coal, one Upper Silesia, the other the Czecho-Slovakian mines. The output in Upper Silesia is about 75 per cent. of the normal; in Czecho-Slovakia it is much higher, almost approaching 90 per cent. So it would be fair for us to get from one source 75 per cent., and from the other 80 or 90 per cent. of our pre-war supply, but as it is, we only get half of this restricted percentage. Moreover, we are always in danger of getting nothing at all. The coal fields are an object of dispute between Poles and Czechs, and those in Upper Silesia between Germans and Poles, and besides the political troubles the miners are striking to influence the plebiscite and for other reasons. The coal sent to Austria is thereby reduced to very little.

Then Czecho-Slovakia has got the Teschen coal mines, although 40 per cent. of the people there are Poles, 34 per cent.

Czechs, and 26 per cent. Germans. The Poles are not satisfied, and there is great danger lest this decision of the Allies should lead at last to a new war, and then, of course, we shall get nothing at all. The only sound policy would, of course, have been to put the whole of the coal under international control. It would not have been necessary to have made an international state, but it would have been fair to see that the coal output was distributed equally and justly among the different nations, who depend for their economic existence upon this coal. The absolute dependence for coal leads, of course, to great financial exploitation. We must pay much higher for coal to get it at all. The Czecho-Slovaks, of course, have been forbidden to do this by the Peace Treaty, but there are ways of getting round that; there is a tax put upon coal, and the tax-payer is relieved from other taxes. Moreover, they deliver mostly brown coal instead of pit coal. The brown coal has to be carried about twice the distance also, entailing great waste of means of transport as well as giving inferior coal. We could get pit coal at half the distance. But we must take what we can, and, of course, the Czecho-Slovakian railways profit through carrying it this long distance.

There are onerous conditions attached to the delivery of coal. We have to deliver pig iron and scrap iron for the very inadequate coal, and this greatly hampers our iron industry, already so impaired. There is some prospect that the Austrian coal production will be increased shortly, within a few years even, to about the pre-war amount. We are also trying to exploit the water power of Austria, and a great scheme has just been initiated. But it takes a long time, and the only effective way is to increase imports. Then, of course, all countries have adopted the policy of first covering home demands and then selling what is left at a much higher price to the other countries. This whole policy seems to me both unjust on grounds of internationalism, and unsound on economic grounds, because coal is the basis of existence, and it cannot be replaced by coal from some other centre of production. These industries of ours were built up because we were sure of always having the coal, and I regard it as internationally unlawful that a state should be allowed to undermine the existence of another state. Then it is unsound on economic grounds; for instance, the Czechs cannot, in consequence, sell their products to us who had formerly always been their best customers; we could not buy anything now because we could not produce. The whole economy of the world is one organic body, and great disturbance ensues if one organ is overfed and another starved.

Certain clauses in the Peace Treaty, it is almost unnecessary to say, are not worth anything; it has been stipulated that the Czechs shall not restrict the coal deliveries to Austria any more than to any other country, but there has been a general

embargo on coal exports and Czecho-Slovakia is delivering much more coal to Germany than to Austria. Austria should certainly get a certain proportion of the coal output from her natural source of supply, that is, the Teschen mines and the Upper Silesia mines, under international guarantees.

On the whole it would not be very difficult to help Austria effectively, because Austria has got great industries. Many people think of Vienna as a place simply of pleasure and agreeable life, but it is really one of the great industrial cities of Europe. The industries have been developed not so much on raw material or coal but on a basis of skilled labour. Many foreign capitalists, French, Italian and American, have already used the opportunity of investing capital in Austria and are, of course, providing raw material, not altogether to our benefit. Some big French companies, of course, getting raw material chiefly from England, are acting as a sort of middlemen and getting the greatest profits. Many of our difficulties too are due partly to a campaign of slander against Austria carried on abroad, and I am sorry to say often by Austrian people who formerly favoured the militarist régime and now try to hinder Austria's economic recovery, in order to further their aims and bring about a reconstitution of that régime. They say that the conditions are unstable, and that foreign capital would do well to hold aloof. I have even found traces of this campaign in respectable English papers, which probably do not know from what source it came.

Austria is really one of the few countries where communism has gained almost no ground. In all surrounding countries there have been violent disorders, Soviet troubles at Munich, street fights in many towns; the Communist Party has been very strong in Czecho-Slovakia, but its influence has been negligible in Austria. Austria is also comparatively free from another plague that is ravaging Europe to-day, namely nationalist reaction. Vienna has always been a very international city, and Austria wants neither revolution nor reaction, only a chance to develop on peaceful lines and to ensure economic reconstruction.

In conclusion, there is a reason why the world should help Austria besides the humanitarian one. Austria offers a very good basis for the economic and moral reconstruction of Eastern Europe. She is quite determined to follow a free trade policy; she is not yet a free trade country, but her policy is freer than that of the surrounding countries, and Austria has made up her mind to become a free trade country as soon as possible, because she is at the present time almost strangled to death. I think she will develop the internationalism of Vienna from a mere instinct to a political principle, and will make this principle the basis of her dealings with other countries, and that at last this spirit will spread over the great eastern half of our continent.

THE COAL PROBLEM.

HERR OTTO HUÉ.

(Spoken in German; interpreted by Mr. C. Roden Buxton.)

Herr Hué began by saying that he was extremely glad that this Conference supported the International Miners Federation in its demands that the coal supplies should be so regulated that the lands where there was a shortage should get their fair share. The miners were dealing only with the coal, and distribution and use of coal, but here we were dealing with other necessities too, and what applied to one applied to the other.

In regard to the present system of distribution, Herr Hué said that some extraordinary cases occurred. In Switzerland, where there was practically no production this year, half a million tons were imported, not less than three or four hundred thousand tons from America, presenting a vast waste of transport and a vast waste of fuel. There was absolute necessity that this distribution should be better organised, but what lay at the root of the matter? The most important point, so far as the miners were concerned, was the shortage of food. There was a proverb that a full stomach did not work very well, but it was equally, perhaps, more true, that an empty stomach did not work well. The question of health conditions of miners had to be investigated; there had been a great rise in the figures of sickness and disease, and the lack of food among the miners was the chief cause of reduction in output of coal. The whole question of production and distribution was an international question. There had been much confusion spread abroad through the Press and otherwise as to shortage of coal, but no matters statistical or political could alter the fact that there was a shortage.

England and Germany were the two great coal providers, and Herr Hué expressed the belief that the English, no less than the Belgian and Czecho-Slovakian comrades in the industry, were striving to lessen the shortage. It was not, he said, the fault of the miners that there was the shortage, it was among the results of the insane war we had passed through. Machinery had not been renewed and repaired, those works necessary for the upkeep of the industry had not been undertaken. He begged the audience not to believe that it was the unwillingness of the workers; they were willing to work with the same energy as they did before if in a position to do so. It was only to be expected, that after the great war a period of unrest should occur, but this would have been practically overcome if only the powers would realize that military pressure from the outside was not the way to make miners work. Production could not be increased by hanging the sword of military occupation over their heads. He begged those present to bring the attention of their leaders to this most important

question, a question which he believed the majority in all countries failed to understand rightly. It was not merely a change in material conditions that the war had brought about, but also a great change in the mentality of the workers. It was not merely material needs, clothing, food, housing; it was their claim for things non-material, for a wider and better life, that had to be considered. The question of changed methods was more and more discussed, and without going into details he wished to place on record at any rate his own opinion that private capitalization in the mining industry was not the last word in wisdom.

The time had come to make a ringing appeal to all the civilized people, to make them feel they were one economic family. Our American friends, he said, had for their motto: "United we stand, divided we fall," and this was the motto the European people had to learn, for it was only by standing united that they could reconstruct their economic life.

THE BREAK-UP OF AUSTRIA.

DR. REDLICH.

Fifty-two millions of people under the old Austrian Empire have been divided up into separate entities and the battle between the nations has been finished suddenly on lines determined only by those nations which have been considered as the élite nations; some had to accept their fate from the Big Four and some from other nations, friends or Allies of the Big Four who had come into the ranks only a few days before the great military cataclysm.

The old Empire had existed since the days of Maria Theresa, the lands of the Hapsburg crown forming one economic union though the people living in it were different. Through the economy, activity, and culture of the Germans, who cultivated not only the soil but also industry and commerce, Vienna and other towns of the Empire grew to be great centres because they could rely upon the personal, industrial, and economic resources of the Empire. So a great industry was organised in Bohemia and in Moravia and also in Bavaria on the basis of free access for coal and iron to the sea—via Trieste, Elbe—and it was possible to navigate and export. The whole entity was delicately balanced. For instance, that burning question of food supply; we never could feed ourselves in those seven little countries forming what is now called Austria; we have never been able to get enough wheat, barley, corn, and rye ourselves, but we got it from Hungary, Galicia, or Bavaria. Only thus was it possible to found a civilisation

of commerce and culture. In Vienna we did not depend on our peasants, because we had so much to sell to other nations who had the food; we gave them the products of industry and the men to lead the industries, but everybody knew that we lived only by the surplus from those other countries.

Then came the Treaty of St. Germain. Austria, which is often accused of being itself guilty of its own present situation, under the best conditions with the best help of science, could not do more than support itself for four months in a year. The Tyrol is wonderful, but not created for growing wheat or corn, and the same with Styria. There is only one province able to support itself. Austria now lives on alms given in the form of credits, for which I am afraid we should all agree the repayments will not come very quickly, credits obtained by the help of America, because England refused to give any credits without America. I am afraid in some months we shall be at the end. How can we produce goods for export? Austria possesses no more than $\frac{1}{2}$ per cent. of the coal it needs. From the coal fields of Teschen we should not have secured the little we have except by the help of the British or American officers. Through their help we have got a little, but only enough to carry on a little railway traffic. Everyone who has been there knows the railway traffic is bad, there is no heating for houses and there has been none for three years. An English officer said we should use more wood. There are two million inhabitants and it is impossible to organize the amount of labour it would entail. In fact, the winters are a real danger for life and health: we are living on very small food rations and there is little security even for that small amount. Then there is lack of electricity and gas, a system of illegitimate trade which corrupts masses and classes, and the absolute impossibility of keeping up a decent commercial system, because the war and its consequences have produced a system of state control which leads at last to control of nothing.

One stands aghast before the *faits accomplis*. Austria was always a part of a living body; the living body has now been dissected, and this one part, Austria, stands alone. This is where politics and economics come into conflict. It is said Austria must never be allowed to belong to the republic of the German nation. That is considered a dreadful danger for all the Western powers.

There are two alternatives. Austria has never been independent and now, with all the characteristics of a non-self-sufficing country, has to live as an independent unit. We have no coal, no metals. We have simple peasant farmers who could live by bread; we have no bread. The Hapsburg monarchy, the largest offshoot of the Holy Roman Empire, made war on Turkey and later brought the country into the position of a great free trade community with a capital which was the third or fourth largest in Europe; a seat of culture,

civilization and goodwill among the nations. If you consider the position you see the alternative.

Mr. Norman Angell has pointed to two policies. There is the possibility of an economic federation going its own way side by side with the system which the treaty embodies as a sort of political settlement in Europe. I suggest that an economic settlement must be created to which we can belong as a part. Or there has been talk of a Danubian Federation, a sort of reconstruction of the old Empire. This is not a very probable solution. The history of the nations which composed the old Austro-Hungary represents an attempt to keep up a sort of League of Nations, not founded on any firm rock, and which at last the war disrupted. These nations will not give up what they think they have reached, their political independence. But without touching the sovereignty of these nations, without touching their spirit, self-consciousness or self-determination, there could and should be formed under leadership, a new system of economic coalition between the states, making it possible for Austria to find an opportunity to use her resources of technical skill and modern industrial work. For that Austria is fitted. If Austria has access to raw material, even without belonging to Germany she could keep alive and wait for times which would bring a definite solution of the great European question.

EFFECT OF THE PEACE TREATIES ON DISTRIBUTION.

MR. C. RODEN BUXTON.

Until the Treaty of Peace is revised, no adequate solution of the coal, transport, and raw material problem can be arrived at.

We have already heard how the Treaties, the Treaty of St. Germain particularly, interfere with the proper distribution of coal. We have heard of the question of frontiers, and we have heard the statement, which I endorse, that we have no right to criticize Czecho-Slovakia for not sending coal to Austria, because in this it is no worse than we ourselves; this particular cap fits better in Great Britain than anywhere, in fact. Here we are in comparative prosperity, by keeping other nations short and charging them immense prices for our export coal. Rationing ought to be applied between nations as between individuals, and Great Britain ought to bring all her resources into the pool to be shared on principles of justice as determined by an impartial authority.

In the question of transportation it has also been explained how the Treaty creates new obstacles at new frontier points. Then Mr. Lees Smith will deal with the coal question from

the German side, and I am not going to repeat how the Treaty of St. Germain hinders any solution of the problem either for Germany alone or for the whole of Europe. For the moment let me make the general statement that it is only when we form some conception of the elaborateness, many-sidedness, and ingenuity of the Treaties of Versailles, of St. Germain, of Trianon, of Neuilly, that we can begin to appreciate their real effect. They are not, as they have been represented to be, primarily instruments for obtaining *reparation* for the damage caused by the war. They are designed to weaken the power of certain states by *throttling their economic life* at all points, and reducing their populations to a lower standard of living. And this process cannot stop where it is intended to stop. Its effects extend so widely that the problem is, in the fullest sense of the word, an international one. Revision is not only in the interests of the countries directly concerned, but in the interests of *Europe and the whole world*.

We constantly advocate free trade, increased production, economic reciprocity and equality, industrial contentment, peace between nations; but what is the use of discussing these remedies, these ideals, when Treaties exist which make each and all of them impossible? For example: the whole spirit and object of these Treaties is to do just what the free-trader says we should not do, to alter the economic channels from purely political and non-economic motives. We are "thrusting a ramrod into the delicate machinery of normal trade." What, again, could you do more effectively to prevent increased production than to say to the German workmen, "The more you produce the less you gain"? The whole Treaty from end to end directly denies the principles of economic reciprocity and equality and industrial contentment; how can you contribute to industrial contentment by economic arrangements which result in underfeeding of whole populations and military occupations for the purpose of *making* people work? And as for peace, nothing is more ingenious than the way the Treaties keep alive ancient national resentments. Relief work or temporary credits are useless if we maintain that which is crippling and strangling the industries of the countries concerned.

Until the poison of the Treaties is removed, the whole body politic of Europe will suffer. And it *can* be removed. We are not fighting against some intangible force of nature, against the inevitable; we are not fighting even against the ineluctable consequences of our own acts; we are fighting against something which we have ourselves created and can ourselves undo. Do not let us accept these documents as part of the law of Europe merely because they are a *fait accompli* on paper. Most of us here protested against them from the beginning and declared we did not consider ourselves bound by them. They were a breach of faith; and we should protest just as much if Bulgaria, Germany, or the other countries accepted them. I

am indifferent to what Germans say about this, what the Austrians say, or what the Bulgarians say. I protest as an Englishman against a stigma which if not removed will remain as a lasting degradation of the English name.

THE PROBLEM OF INCREASED PRODUCTION.

MR. EDO FIMMEN.

Allow me to underline what Mr. Buxton has said about the Peace Treaties, and I represent here at this Conference thirty million organised workers, and I know what Mr. Buxton said was spoken from the hearts and spirits of those thirty million workers.

I have listened with interest to the different speeches, and especially those delivered this afternoon, on the questions of coal and transport. I am sorry to say I have not seen any indication of the way out of the shortage we are talking about. If we have to wait until the output of coal has sufficiently increased, a good two years will have to pass. Only one speaker, Mr. Hertz, has pointed to another way out of the tangle, namely the possibility of exploiting the "white coal" in Europe. When Herr Hué said that Switzerland imports one million tons of coal, I remembered that practically Switzerland could do without a single ton of coal if only money were invested sufficiently in water power. It would take two years. If Switzerland is at this moment wanting coal and is not exploiting water power, it is due to the interests of the coal owners before the war, especially of the German coal owners. And this example shows what might be done now if it were possible to induce capital, perhaps especially British capital, to invest in the waterworks in these countries that are wanting coal so badly.

The city of Vienna needs every year two million tons of coal; that is more than Austria produces, and only 40 per cent. is obtained. There is no fuel to warm the houses of either working people or any other inhabitants. Now, since the Armistice, the Allied countries have put into Austria forty-five thousand millions of crowns, or sixty million English pounds. With two million English pounds or two thousand million crowns, the whole city of Vienna could be saved from want of coal.

My friends, Herr Hué has already pointed out what the German workers are doing to produce more coal, and also told you that pressure will not increase the output. I share his

opinion. I know the German mine workers pretty well, and the moods and the spirit of the miners of the Ruhr. At this moment the German miners are doing what they can to increase the output as much as possible, but at the same time the Armies in the occupied part of Germany are preparing to march into the Ruhr. As far as my information goes, not only the French, and not only the Belgians, but perhaps the whole of the Entente are preparing to occupy the Ruhr if the output of coal falls below the demand. I hope this Conference will be strong enough to make it clear that German workmen cannot work and increase output under the threats of occupying armies. And if this provocation goes on, not only Germany but the whole of Europe will be heading for the abyss.

I believe that there is not only a shortage of coal and a failure of transport, but that the whole world is drifting to the abyss if production in every trade is not increased. The workers and their relatives know that as well as you do. But for all that nothing will induce the workers to work, giving all their powers and strength to increase production, if from the other side there is no understanding of what the workers want and what they do not want. They are not willing to work under the same conditions as prevailed before and during the war, but I do say, on behalf of the thirty million workers I represent, that the workers will work as soon as they have a greater and a better share of their own production. And if you really want democratic reconstruction, then do not forget that you cannot have it without the help of the working classes, which you cannot get without complying with a great many of their requests. The wheels of time are moving towards socialisation and socialism, and whether we like it or do not like it, only if the governing classes are prepared to go in that direction will there be reconstruction; without reconstruction, there will be anarchy.

On the 22nd of November there will be an extraordinary congress of the Trade Unions, and they will discuss socialism, rates of exchange, and the reaction just now to be seen in different countries. I cannot say what resolutions and decisions will be taken, but I hope that at least those who are on the Fight the Famine Council will take note of what the working classes of all countries claim as their rights, and on what conditions they are prepared to help and work for the reconstruction of the world. For your parts, you should do your best, first to influence the different countries to invest capital, even if there is no high interest on the investment, in water works in Europe as a means of getting out of the coal shortage. Secondly, I hope you will use your influence to end the provocation caused to Germany by the occupation of her territory.

RUSSIA AND THE CO-OPERATIVE MOVEMENT.

MR. BIRKENHEIM.

When at a meeting like the present the main topic of discussion is Europe's economic reconstruction, when the question of universal famine and misery is brought forward and the means of combating them are being devised, it is impossible to remain silent and forgetful about our country, suffering Russia.

No words are powerful enough to convey a right idea of our country's actual condition. The complete failure of this year's crops in Russia is enhanced by the total paralysis of the transport, the utter collapse of the administrative machinery, the destruction of industry and the absence of any distributive and provisioning mechanism.

This year Russia is facing a catastrophe, the like of which human history scarcely remembers. Death from starvation of hundreds of thousands and of millions of human beings is inevitable.

We think it our duty to declare this fact openly and Europe will have to reckon with it. The information received by us from Russia speaks of a monstrous state of things there and foretells the coming of unparalleled calamities and of horrors hitherto unseen. We need help, quick help rendered on a world-wide scale.

The Russian Co-operators have done all that was in their power to pull down the wall which is still separating Russia from Europe, in order to break the iron ring of the blockade.

As far back as last year we could still speak of a relatively free Russian Co-operative movement, capable of assuming the task of supplying Russia's needs and of answering the requirements of the latter's trade with Europe. At the International Co-operatives' Congress at the Hague we appealed to the European Co-operatives, requesting them to do their utmost to resume economic relations with Russia.

Such is also the object of our present appeal to this assembly.

Our great country is in agony. We need help, quickly and immediately. This help must be carried to Russia, trade relations must be resumed, in spite of all external conditions, regardless of all forms of régime and government.

Without the economic resurrection of Russia there can be no question of Europe's economic reconstruction.

CO-OPERATIVE ORGANIZATIONS AND RECONSTRUCTION.

MR. GREENING

(Honorary President of the Co-operative Union).

I am sorry my friend Mr. Hubbard, the Secretary of the Southern Co-operative Union, is not here. But as I am probably now the oldest living "co-operator," with sixty-three years in the movement, you will see I have had a pretty long apprenticeship, and know the heart of our people very thoroughly.

You must not look on the co-operative movement purely as a business movement. That is the face it turns to the public, but there is a streak of gold thread or gold wire running through the texture of our movement which comes down from the early founders and still influences it now, when in Great Britain it has something like four million members, each representing a family of at least four persons, so that about a third of the population of the Kingdom is inside it.

Through the whole movement there is still running the current of thought which we owe to the original founders. One of them, many years ago, put it thus: "Mr. Chairman, I remember well the beginning of this great movement. We began with just about enough money to buy a barrowful of provisions, but with a fixed determination to revolutionize the world."

To-day we are one-third of the population of Great Britain. The movement has spread to every civilized country. If we could gather our people all together we should be a community of fifty millions, one of the greatest nations of the world, and we are in touch with every one of them through the Co-operative Alliance. A cry for help from this Conference would travel through the Alliance and the Union, to the co-operatives throughout the world. They can help you, and they will help you.

UPPER SILESIA.

FATHER ULITZKA.

When we Germans witnessed yesterday the hearty reception of the Prince of Wales, our hearts were overcome with sadness and we said to ourselves, "So it used to be with us. We were once great, and surrounded with splendour. . . . Now we can be compared to a man, who, at one blow, has lost all his possessions." But our people are anxious to bear this visitation with dignity and earnestness.

The deepest meaning and most valuable point of this Conference is the recognition of the fact that the whole world is an

economic whole, a single organism for which if one member does not act with the other members the whole body suffers. The industrious, active German people with its more than sixty millions of people is an important member.

We need, and long for, the possibility to work, the power to work, and the joy of work.

The possibility to work! Supply us with raw materials so that these millions of hands may work.

The world demands from us twice the amount of work we did formerly, and at the same time we have barely half the quantity of food. How can the miner in the collieries carry on his often almost superhuman labour, when for weeks together he gets no bread, no potatoes, not to speak of meat or fats, but often has to go to work with only a few apples in his pockets? How can the rising generation carry out the gigantic tasks expected of it when in its childhood and youth the most necessary foods for building up its bodily strength are lacking?

The joy of work! People work joyfully when they see that they accomplish something. Our people do not, however, know even yet why or for what they are working. If we are to achieve that which is demanded of us, then we should be clearly and definitely told what is the amount of our burden of debt. I am at one with our Government and with our whole nation when I tell you that we rely solely on the Geneva Conference, and that we strive for no separate negotiations with any single one of the Powers. The Geneva Conference will only have a satisfactory result, if the Powers sit with us at the same table, and really carry on negotiations with us.

Our co-operation in the economic reconstruction of Europe is threatened by the danger that we may lose one of the most important industrial districts—Upper Silesia, whose allegiance is to be decided by the plebiscite. The possession of Upper Silesia is necessary for us, if we are to deliver the supplies required of us by the Peace Treaty. Upper Silesia furnishes one-quarter of all the coal raised in the whole of Germany.

How can we exist without Upper Silesia? If Upper Silesia is taken from us, not only do you take from us our economic means of livelihood, but you change absolutely one of the most important items in the economic calculations of the whole world. For Upper Silesia in German hands means something very different from Upper Silesia in Polish hands. The quantity of coal raised would be altered, and *this production of economic wealth* and its disposal would also be altered. The fact is, that the whole great industry of Upper Silesia has been built up on German capital, on German intelligence, and on German industry. Without saying anything in the least invidious to Poland, it must be acknowledged that it would not be possible for Poland, until a distant future, to maintain the industry of Upper Silesia at the level at which it has hitherto stood.

On account of the supreme economic importance of Upper Silesia, it is essential from the economic point of view that every effort should be made to secure that the plebiscite should be carried out in a free manner and without any undue influence.

I must, however, say, that the free vote in Upper Silesia is endangered, and we beg most earnestly the Allied Powers, and not least of all, Great Britain, for protection for a real plebiscite; we do this because these Powers have undertaken the responsibility for the plebiscite, and bear this responsibility alone. During the unavoidable political campaign which will necessarily precede the actual voting, work must not be allowed to suffer or be in danger. Unfortunately there have been serious disturbances and hindrances to work; for days at a time there has been cessation of work, both in iron works and in collieries. Many industrious workpeople have left Upper Silesia for ever, and many officials, managers, overseers, etc., have given up their posts. The terrorism that has been practised against industrial work must be energetically opposed, no matter from what quarter such terrorism comes.

Our people have no thought of revanche, no thought of empty fame and glory, but wish to work and labour earnestly, in order to be able to live once more, and to enter into honourable co-operation to work with others for the economic reconstruction of Europe.

EMERGENCY MEASURES OF INTERNATIONAL FINANCE IN RELATION TO RECONSTRUCTION.

SIR GEORGE PAISH.

Probably no matter is of greater importance than the question of finance. As the discussions at Brussels have shown, the world to-day is in a condition of financial danger unexampled in its history.

How we are to come out of the danger has not yet been discovered. At Brussels various suggestions have been made for overcoming the difficulty. But unfortunately the economists, bankers and experts at Brussels were not permitted to discuss the whole question, and so could not suggest a complete remedy. They were debarred from discussing the question of reparation, and until the amount of the reparation is settled at a reasonable figure it is clear that the economic and financial situation cannot be adjusted.

At this Conference we have no limitations, and therefore we can suggest remedies which we hope will be comprehensive and effective.

First of all, it is necessary that we should understand the nature of the sickness from which the world is suffering. Recently one of our great bankers stated that the present condition of the world was very much like that of a man suffering from fever. We were now, he said, at the point of crisis of the fever—the crisis which must always precede convalescence. Clearly you must get through the crisis of an illness before convalescence is possible. But, unfortunately, some patients do not get through the crisis. The present danger can be overcome, remedies can be applied. The question is, will the nations be willing to apply them? Hitherto every effort made to induce the statesmen of the world to apply the necessary remedies has been fruitless. One hopes that as a result of the Brussels Conference and of this Conference the statesmen will begin to realise the danger which is threatening society.

What is this danger? It is very easy to understand. It lies in the fact that the productive power of a large part of the world has been greatly reduced by the war, that the belligerent nations are not now able to maintain themselves, and that these nations are no longer able to purchase the necessities of life—the necessary food and raw material from that part of the world which did not suffer from the war. They cannot produce enough for themselves, and they have no longer the means of buying what they require. Consequently a breakdown is

threatened. The goods and produce of the world to-day cannot be sold, not because the people of the world do not need them, but because they have not the power to buy them, they have not sufficient goods to exchange, and they no longer can obtain the necessary credit. The result is that the food, the raw material, and the many things which the nations need are going into stock instead of into consumption, or are not being produced. The peoples of Europe are not only becoming more and more short of food, more and more short of the necessities of life, but people in all parts of the world who are producing things they cannot sell are being exposed to greater losses than have ever before fallen upon the business community. To deal effectively with the present danger demands the active co-operation of every country in the world. As there is no evidence that the nations are yet prepared to co-operate, breakdown seems to be inevitable.

The Brussels Conference recognised the urgent need of international credit. It suggested that the private manufacturer, not being able to buy raw material, should be given the credit he needs in order to buy, and that the Governments of the countries in which the factories are situated should endorse and guarantee the credit thus given. But Brussels has failed to take into account the fact that the credit of the Governments themselves has gone. It is clear that the Russian Government is unable to obtain credit to restore the productive power of that country, great as is the need; it is equally clear that the German Government is not in a position to obtain credit from the rest of the world; it is obvious that the Austrian Government is in yet a worse case. We have heard of the financial difficulties of Italy; it is clear that the Italian Government is unable now to raise the credit required to obtain either food or raw material from the rest of the world. A year ago, when the Conference was held here, it was possible to foresee these things. That Conference was held for the purpose of inducing the Governments to take action at that time. What is happening to-day is the result of the failure of the Governments to take action twelve months ago, when they were warned that unless measures were taken the difficulties in which the Central Powers were placed would extend to Italy and to France. They have extended during the past year to Italy; they are now extending to France.

It is now necessary to warn the Governments that in the next twelve months, unless action is taken, Great Britain herself will be in difficulties. The tide of difficulty is rising. There is no time for delay. We ourselves, it is true, are nominally paying for our imports by means of our exports, but the greater part of these exports is going to countries that cannot pay us, and the result is we are not able to pay the other countries for the food and raw material that we must get from them as well as for goods we must have.

The first remedy is for the statesmen of the world to withdraw the political impediments which prevent the restoration of the economic situation. That is absolutely the first essential. You cannot look in any direction but you find political impediments to sound economic action. The second essential step to recovery is the revision of the Peace Treaty. This is fundamental. The Treaty will not work, and a treaty that will not work is unsound. Experience is showing us that the men who drafted that treaty did not understand economic and financial laws, which cannot be broken without disastrous consequences. Those who understand the economic and financial situation cannot apply the remedies essential until the political difficulties are removed. The third remedy is reconciliation between the nations. Every nation must help in the work of reconstruction, otherwise the work cannot be accomplished. We cannot recover without the willing assistance of Germany and of Russia. Moreover, the Central Powers and Russia must help, because their own welfare depends upon it. Everything must be done to induce them to give their very best work. Again, recovery is impossible without the assistance of America. America must assist, both for her own sake and for the sake of humanity. The nation that imagines it can live an isolated life in these days is deluding itself, and the longer it clings to that delusion the greater will be its sufferings and the greater will be our suffering. It is clear that every nation's welfare depends upon securing the reconstruction of Europe and the readjustment of the financial situation, and in that reconstruction and readjustment the American people must play their part. Their own prosperity, as well as the well-being of the rest of the world, depends upon it.

And we, here in this country, must do all that is within our power to get the world machine again into full operation. More depends upon Great Britain to-day than ever. One of the tasks that I hope Great Britain will undertake is that of conciliation. I hope she will herself display that magnanimity and benevolence without which the situation cannot be righted. The world to-day needs kindly feelings; it needs peace in the fullest sense. We must help to bury that feeling of hatred which animated us during the war. No reconstruction is possible while this war atmosphere lasts. It must disappear. But I hope we shall go farther and translate our feelings into action. Germany cannot make good the whole of the mischief that has been caused by the war. She can pay over a great many years a capital sum of about £2,000,000,000 with interest, provided that she herself receives as a preliminary a credit of £500,000,000. The sum that Germany is able to pay is thus about £1,500,000,000, which is not nearly enough to make good the damage and to set the Entente nations on their feet.

It is all very well for us to tell the world what needs to be done, but what are we ourselves going to do? In order to

overcome this danger to humanity, we must forgive the Entente nations the whole of the debt that they have incurred to us, amounting to some fifteen hundred millions. And what we must do it is essential that America also should do. America has lent to the Entente nations during the war, up to the present time, something like two thousand millions sterling. I am sure the American people will not regard the matter from a purely selfish point of view. I was told that President Wilson came to Europe with the intention of proposing to the American people on his return home that they should remit the debts that had been incurred.

But the payment of some £1,500,000,000 by Germany and the remission of between £3,000,000,000 and £4,000,000,000 of debt by America and Great Britain will not be sufficient to make good all the damage and to render Europe self-supporting, and it is evident that the balance of the money needed to restore France, Italy, Poland, Russia and the other nations must be provided by the other nations, according to their ability.

We cannot leave France as she is now. It is as important for Germany that France should recover as it is for France that Germany should recover. Every nation must help. In order to recover, France needs a sum of something like three thousand millions sterling—a sum which is made up of something like twelve hundred millions to repay existing foreign debts, several hundred millions to restock and restart the country, and a long way over a thousand millions to rebuild the devastated districts. With an expenditure of something like three thousand millions France's foreign debt can be repaid, her industries restarted, and her devastated districts rebuilt. This work has to be done; there is no option. The whole world in these days is one machine, and every nation is a part of that machine. Unless every part is effectively reconstructed the machine will not work.

Then, of course, Italy must be reconstructed, restocked and restarted, and for these purposes she needs a very considerable sum. She has incurred a foreign debt of something like eight hundred millions. She cannot pay this back, and she must be provided with money for restoration and for working capital. And neither can we leave Austria in her present situation. Austria is a danger to the whole of Europe. She will probably need a credit of something like one hundred millions sterling. Nor can we leave Russia out of account. Without Russia Europe will never get right. The people of Europe, including ourselves, need all the food that she can produce. At the present moment she is not only producing nothing for the Western Powers—she is not even producing enough for herself. Russia needs, too, a very large sum for the rebuilding of her railways. She probably needs from five to six hundred millions sterling, and the rest of the world must find it. Of

course, the credit cannot be found until there is a satisfactory Government in Russia. The Government of Russia must truly represent the Russian people before the rest of the world will be ready to help.

Now, you will ask, is it not possible that we can do things on a smaller scale? That we may, for example, supply raw material to the factories of the crippled nations and get back manufactured goods? That is being done to-day. With what effect? They are bringing back into various countries manufactured goods which these countries do not want and are keeping those goods away from the countries that need them but which cannot buy them for lack of international purchasing power.

Or can we not supply short credit to the Continent, give the various countries loans for a year, or two years, or three years? Is that possible? Well, for one thing, the bankers of the world are no longer able to extend their credits. They have been keeping the world going for the last twelve months, and their loans have increased to such an extent that they cannot expand them much farther. Is it possible to induce investors to supply credits for one, two, or three years?

Such a procedure would be extraordinarily difficult. Investors do not invest their money for one, two or three years; they need long bonds, and it would be exceedingly difficult to induce them to take short ones. In fact, the practical difficulty is so great that anybody who understands the investment markets will realise that such a plan is impossible. Again, how could countries pay back these short credits? Germany will have the greatest difficulty for several years in exporting sufficient goods to buy enough food and raw material to meet her everyday needs. How, then, can she redeem any debt she has previously incurred? Any credit now granted, either to Germany, or to France, or to Italy, or to any other belligerent country, must be for a long term of years, twenty or thirty at least, better still forty or fifty years, so that the annual sinking fund may be within the capacity of those countries to provide. The practical difficulties of raising short credit are, I believe, now insuperable. Therefore, one is thrown back on the question of how to raise long credit and the best method of doing so. Of course, I do not wish to say anything that will deter any possible experiment from being made, for every method of adjusting the situation should be tried. If it is possible to create short credits they should be created, especially until such such time as the longer credits become feasible. But it is evident that another Brussels Conference will be needed in the not far distant future, in order to discover how to create long credits. I am convinced they can be created, if the nations will only set about the task in the right way.

First of all, it will be necessary to convince investors that their money will be safe. While Governments pursue the

policies they are now pursuing investors cannot be convinced their money will be safe. When, however, the nations learn from painful experience that their Governments are working along the wrong lines, and adopt a new policy, then it will be possible to reassure investors so that they may know that any new money they may lend to Europe will be safe.

At the present moment, it is obviously impossible to raise long credits. But after the process of liquidation now beginning is completed the situation will be different. At the present time money is in demand everywhere for carrying these large stocks of goods which cannot be sold, and which are everywhere accumulating. These stocks of produce and goods will have to be liquidated. But when the process of liquidation is completed, and after the nations have begun to set their houses in order, the supply of long credit for international purposes will rapidly increase.

The force of events will bring about a League of Nations in which not only the Entente Powers will be represented, but the United States, Germany, Russia, and Austria. When the League includes practically every country in the world, and when its aims and policy are universally accepted, its credit will be strong enough to enable any reasonable sum to be raised. What individually cannot be done, collectively can be accomplished.

Thus the salvation of Europe depends first upon the immediate restoration of effective peace and the complete abolition of the atmosphere of war, second upon the credit of a completed League of Nations, third upon the restoration of productive power and lastly upon the free interchange of goods and produce by the nations.

GERMAN FINANCE.

HERR HUGO SIMON.

Herr Simon spoke in German. Mr. C. R. Buxton gave a translation as follows:—

First of all, the taxes in Germany are at present extremely high, and it is difficult to suggest any means by which they can be decreased. There is the Excess Profits Tax, which, with other taxes, has the result that on an income of 250,000 marks, the direct taxes alone amount to 140,000 marks. The financial situation is rendered more difficult by the fact that the claims of the Entente under the Reparation Clauses are quite unknown as to their total amount, and all reconstruction has to be carried on under the shadow, as it were, of possible new demands at present unknown. He maintains that a settlement of this question would enable industry to be re-started,

and would be as much to the interests of the Entente as it would be to the interests of Germany.

He then deals with the question of the currency, the immense fall in the value of money, and the enormously high prices. The note-press is busy to an unheard-of extent. Herr Simon says there is great danger that a situation will be reached similar to that which was reached in the French Revolution, when the peasants finally refused to take the assignat, the paper money, any more, and would take absolutely nothing except gold, so that the whole process of the interchange of goods broke down. A somewhat similar position is arising in Russia at the present time.

There are certain preliminary conditions for recovery and reconstruction. The chief is that Germany should receive credits for raw materials; but he perfectly well recognized that at present there is very little inclination on the part of countries outside and countries better off to advance these credits, and this he can well understand. These outside countries themselves—though they may be very much more prosperous than Germany—at any rate do not feel very prosperous themselves, and it is probably only by a gradual and slow process of realization that they will arrive at the conclusion that it is in their own interests as well as in the interests of Germany to aid in the reconstruction of German industry. Meantime, Germany herself absolutely must give evidence of increased production and increased effort on her part, in order to hasten and assist this psychological change in the minds of those foreign countries who might provide the credits.

He points out that in Germany there are extraordinary examples of over-production. There is immense over-production, for example, of boots and shoes. Millions of pairs in stock, and yet millions of people without boots or shoes, or without adequate boots and shoes, who have not the means of buying them. There is cotton, and other textiles, and millions of children particularly, and grown-up people too, who are in need of these, but who have not the means to buy them. There is the undoubted phenomenon of misery on one side and luxury on the other. He points out that the situation is very much worse in the industrial districts than it is in the country districts. In Bavaria, for example, which is less industrialized, the distress is very much less, and living is considerably cheaper; but in North Germany and in the industrial districts, prices are getting worse than ever, and unless some marked change occurs a catastrophe is imminent. There are probably at the present time something like one million of unemployed in Germany. But apart from the figure of those totally unemployed, there is—as he knows from his own experience—a great number who are only partially employed, men, for example, who work three days in the week only and earn only half of a normal wage. He knows many men receiving only

90, 100, or 120 marks per week—perhaps ten shillings in our money, far from enough to support life upon.

He gives an example with regard to prices and purchasing power from the case of milk. Before the war one-and-a-half million litres of milk were provided for Berlin daily. It went down during the war from one-and-a-half millions to 100,000 litres. Under such conditions only infants and the sick could get any milk at all, and they very little. Then the fixed Government prices for milk were raised, and by July of this year the total quantity had increased from 100,000 to 450,000 litres daily. So far so good. But this quantity of milk could not be bought. The people who needed it had not got incomes large enough to spare the money required for buying it, and the curious phenomenon took place that the prices charged by the speculating traders (the *Schleichhändler*) were actually lower than the Government prices in order to meet this extraordinary emergency.

Herr Simon alluded to the question of the cows offered by a body of farmers in America to Germany and the reasons why for some time the Food Ministry could not accept the gift. The reason was that they had not the means of feeding the cows, and he says that, as an agriculturist himself, he can testify that this is in accordance with the facts.

Finally, he says with regard to reconstruction, that with the measures now being taken, there are two main tendencies to be noted in German industries at the present time. The tendency which he thinks would be of interest to English economic students is the tendency towards what he calls trustification, or centralization of industries. The most remarkable examples are in the cellulose industry, where practically the whole of the undertakings are concentrated now in the hands of one administration, and in the cotton spinning industry, where a hundred or more great undertakings are practically under one control; and the tendency in this direction is increasing all the time. To a certain degree this represents a remedy, a way out of the chaos in which German industry finds itself, because it means that production is carried on not from a competitive point of view, but from a strictly economic or productive point of view.

The second remarkable tendency is a tendency towards socialization. For thirty years or more there have been proposals of this kind, some older and some more recent. There was the proposal of Herr Rathenau, which has been greatly discussed in Germany recently, and the problem has been especially raised in connection with the mining industry.

Among the left section of the Socialist party a demand is now being put forward for a referendum on this question of socialization. There is a Bill before the Reichstag; probably if this Bill is not accepted the agitation will become more intense. He himself does not wish to embark upon doctrin-

aire principles, whether of capitalism or socialism, whether of production for private use or for the use of the broad masses of the people, but he deals with the practical side of the question.

As to his practical propositions, he says that in order to prove that in Germany there is productive energy and productive effort, we must take measures to increase the agricultural production, and he thinks that can be done. At present they are only able to maintain half their population so far as food is concerned; the rest has to be imported from abroad. The production ought to be and could be increased. Secondly, to do this a very great improvement in the housing conditions is required, a great increase in building. The Junkers, who largely controlled agricultural conditions of life, have neglected this side of the question. They preferred to import Polish labour with a very low standard of living, and new conditions are now required. A great increase in intensive cultivation would give the necessary evidence of increased productiveness.

He has met foreign financiers who say they are afraid of dealing with German industry in the way suggested because there is a danger of Bolshevism and of repudiation. Well, he says, even Russia is not repudiating its foreign loans. How much more would Germany refuse to do so when you consider that the foreigner is both her best customer and her best provider of the materials she needs. Apart from the purely moral aspect of the question, he says, in conclusion, there is what may be described as economic morality. One country has got to be dependent upon another. It is to this economic morality, this practical common-sense morality, that he appeals.

STABILISATION OF THE EXCHANGES.

HERR ERNST KAHN.

Merely to complain of the special hardships of one's country is tiresome and useless. The Continent must work together, and I shall refer to Germany simply because I know that country. The key problem is the problem of exchange. It is characteristic that people on the Continent who used to know nothing about exchange are now familiar with it. In adult schools people now want to know, not about Socialism, but about exchange and inflation. It is a terrible question, because when exchange is going against a country, that country cannot import; while, if it is improving, the situation is perhaps even worse, because the country cannot export. When German exchange was very bad in February, a good many foreign capitalists, especially Americans, literally bought all the Continent out.

The exchange went lower and lower. We paid as much as M.400 for your £1, and then all of a sudden the situation

changed and the exchange improved for the first time since the war. At first we were very happy and proud, and then things became terrible. Herr Hugo Simon told you about the crisis in Germany, that there are so many unemployed and so many working short hours. That comes from the bettering of the exchange, because at the very moment when the exchange improved nobody could buy. It did not pay any more to buy goods on the Continent, and a regular crisis occurred all over the Continent, especially in Central Europe.

What is going to be done? There must be some solution, I think. There must be a remedy, and according to my idea that remedy is to stabilize the exchanges. I forgot one point. What is the consequence of these fluctuations? The Chairman told you about the London bankers' verdict that the situation of Europe is now a condition of fever. Everybody knows that somebody is sick, that the fever is going up and down, and people are bound to die. That is why we must stabilize the exchange. Unemployment is being caused. Profiteering is bound to be because any manufacturer who does not want to fail is forced to estimate for enormous profits, otherwise he must fail. The only class which is very successful are the bankers, who make enormous profits nowadays. I suppose in your country it is just the same. The very few people who understand the problem do not want to write on it because they make nice profits. Most of the experts are interested and do not want the situation changed.

I am speaking of Germany, but it is just the same for France and Italy and all the other countries. Just to give you two figures. We paid as much as M.400 for the £. In August or July we paid only M.130, and now this morning I think it is M.230. Just imagine these fluctuations. I think there should be—do not laugh at me because I am too theoretical, because later on I am going to explain—I think we should fix up an international syndicate which would guarantee all sorts of exchanges. Let us say, just for the argument, they are willing to pay M.200 for the £. They are willing to give you a guarantee that they will not charge more than M.200 for the £. Nobody would then be able to get M.210 for the £, because if you go to one of the big London or United States banks it will give you a £ for M.200, so that nobody is bound to pay more. That is a kind of guarantee that the exchange of the mark will not lose ground. The other point is that the mark should not go up too quickly, because it is very dangerous for all those countries. The syndicate says it is willing to give the £ for M.200, but if the German exchange is going up, then it will sell German marks, that is to say, it buys for M.200 and sells for M.250, or 220, just as you want. That is to say, there will be no fluctuations, no more rising and falling, or only to a limited extent. Now what is going to happen if things go better in Germany than on the rest of the Continent? Then

the exchange is going down to M.200 instead of M.220. Then that international syndicate is going to change it and say, "We are selling the £ for M.180 and buying it for M.200." This is how you handle your discount rate. If that Syndicate thinks conditions are going to be better in that country, they are going to lower the rate, and if they are going to be worse, they raise it. That is to say, it goes up like a flux, and when the exchange is going to be altered, on the same day we should alter wages in our countries on the Continent, and prices too. We have tried already to fix wages by index numbers. Our workmen would be quite willing to do it because they know already that it is no use to raise salaries. Some of the Trade Unions are afraid to raise wages, because as soon as wages are raised things are worse. On the Continent people are already far advanced in that respect.

Mr. Norman Angell tells us that merely to talk of revising the treaty is not very effective. Do it. It is just the same with international credits. A good many of you believe in international credits. I do not. But what I propose is a kind of international credit, under another name. People are afraid of giving international credits, but I think on these lines they might do it.

Most certainly the several countries cannot recuperate without international help; but most certainly, too, international help will fail unless there is self-help.

FINANCIAL RECONSTRUCTION.

DR. VAN GIJN.

As my friend and countryman, Prof. Bruins, is prevented by illness from coming to this Conference, I will make some observations about the Dutch point of view, in his place.

As to the present, I can say that of a thousand Dutchmen, nine hundred and ninety-nine are convinced that the Peace Treaty should be revised as soon as possible. Many Dutchmen are great friends of the French, but without exception they are convinced that the French and the English, as far as they prevent revision of the Peace Treaty, are extraordinarily stupid and that they are—as the Japanese would say—committing *hari-kari*.

Every man and woman understands that only working and saving will help the recuperation of the severely wounded world. It is also clear that the first condition if people are to save and work, is to make it their interest to save and work. No such interest exists as long as one knows that everything that one makes and saves can be taken away. It is clear that matters are not very much better if the burden is so heavy that though he works day and night the worker will not keep enough for himself to live on; and even if the creditor does

leave him just enough to live on, matters are still very bad. Slave work is the worst work in the world.

On the question of compensation I will not exaggerate. After the war of 1870 Germany became poorer through being compensated, because the compensation was paid in goods that Germany could have better made herself. I think that is a great mistake following from the idea that what benefits some *entrepreneurs* benefits the whole people. A gift or compensation is welcome unless the man who gives the compensation is your customer, or your supplier, and the compensation is so high that the customer will die or be ruined and the supply be cut off. Such a compensation is scarcely a gain. The question is: how much can be paid without damage to the receiver? Suppose you demand eight milliards. The first milliard is valuable, because Germany is not ruined by it. The second is nothing like so valuable, because it strains German productivity severely, while, on the other hand, every successive milliard brings less benefit to the recipient nation.

It is necessary to convince the French of this, for I fear that the postponement of the assessment of the compensation is largely because the French fear that if they fix it now they might find afterwards they had asked less than Germany could give. I am convinced that every year, every month, the fixing of the compensation is postponed it increases the damage..

I should like to say in this Conference something about what we in Holland think about the means for recuperation. The first thing is working and saving. Saving is nothing else than to consume less than you produce, and the whole world should consume less than it produces. One should not speak of money loans, for the money loans themselves have no value at all.

People in all countries are very little inclined to save, to consume less than they produce. This will seriously prevent the recuperation of the world. So I think the Governments of all countries should do their best to induce the people to save. They can do it first by taxation. They should tax to prevent consumption. Not on the consumption without which we cannot live, but all consumption that is not absolutely necessary. They should not allow inflation, because inflation is one of the things that greatly stimulates consumption. First there is high inflation, and then there appear in each country new rich people. These want to enjoy their new riches, and consume very heavily. The other people who grow poor through the inflation try to curtail their consumption as much as possible. But there is another reason why inflation leads to high consumption. People, however wise they may be, never conceive clearly what doubling of their income means. Everybody, wise or foolish, thinks that his income is simply doubled from one to two thousand pounds as a consequence of the doubling of the currency; he thinks, "I am richer than I was." He

knows everything costs more than double, and yet notwithstanding he says, "I am richer than before." The consequence is large consumption.

Inflation must cease everywhere, not excluding Germany and Austria. A slight deflation is very necessary in order that the money incomes of people may lessen and they may become more economical. Saving is an absolute necessity, not only in Germany, Austria, and England, but also in a larger degree in the neutral countries, for the latter can give credits to the other people who are poorer. But credits should not be strips of paper. Credits only are useful as credits of goods. Therefore the people giving credits must form wealth by saving, in order that they can give what they have saved to their poorer neighbours.

Some months ago I wrote an article in a Dutch weekly paper, and I asked, "Who are the real murderers of the children in Vienna, Budapest and German towns?" I answered, in the first place, the people who began the war and the people who prolonged the war; but the murderers at this moment are the people in Europe and America who consume more than they produce, and do not economize.

This morning the subject of the Conference is the financial question, so I will try to say something about that question now. As I argue that saving is a very necessary thing, as I argue that inflation is a very bad thing, so I am convinced that it would not be right that the credits for goods should be given from Government to Government, or even from Government to private persons in the borrowing countries, for credits given by Governments nearly always mean inflation. So credits by Governments should be avoided as much as possible. Therefore I am very glad that at the Brussels Conference a proposal from one of my countrymen was accepted which aims at promoting the giving of credits by private persons to private persons. This was supported by Professor Bruins, who should speak here to-day. The conclusion of his memorandum to the Brussels Conference was that it should not be Governmental credit, but private credits under the control and under the further security of the Governments. His conclusion was that a workable scheme of international co-operation should be made based on the principles of putting subsidiary guarantees of a general character into the hands of an international authority, exercising at the same time a general right of supervision, but leaving the supply of the necessary funds essentially to private enterprise. That is what Mr. Ter Meulen has worked out in thirty-six points, and those thirty-six points are accepted in Brussels. Private persons who lend money to others can adapt themselves more easily to the special conditions of a particular business. Then it is easier to be cautious and you can have a really good rate of interest at the central bank, and then people will save more than before. We may presume that credits will

come only from savings and not from existing resources in the lending country, thus the lender will not miss them. Private lending requires control and Mr. Ter Meulen gives the regulations required. First, there must be control to prevent inflation; secondly, it is necessary to have a commission of control, in order that the creditor, the man who gives the goods and credit, shall not be injured by acts of the Allied Governments, by the Commission of Reparation or other organizations; thirdly, it is necessary for the credit to be used as much as possible for industries. Fourthly, private people lending to private citizens of the formerly belligerent States must have some further guarantees, and the proposal of Mr. Ter Meulen, in my opinion, has regulated this very well. The plan is this. As our Chairman said, the Governments now are not very much trusted, and there are many reasons against trusting the Governments of all those peoples who are so very poor. Therefore there must be real guarantees. Mr. Ter Meulen looks for the real guarantees by the Government issuing securities. The securities will be given to the creditor as a supplementary guarantee, and as the credit is paid back, they will have existed as guarantees no longer than is necessary. But, of course, if the credit is not paid back, then the creditor must be empowered to sell those securities. They will have a very high value, because they must be covered by one or more of the taxes of the country that issued them, in order to ensure payment of the interest of the amortization.

The worst of it is that many countries think they must be helped by other people and need do nothing themselves. On the contrary, they must begin to help themselves. I can say my countrymen will help in the form of giving private credits, but they will give them only to those whom they think worthy of help.

REVISION OF THE FINANCIAL CLAUSES OF THE PEACE TREATY.

MR. F. E. PETHICK LAWRENCE.

I will only just draw attention to one aspect of affairs, and it is this, that finance is and must be under all ordinary circumstances the handmaid of economics. It becomes a very dangerous thing when the handmaid asserts the position of the mistress and reduces her mistress to the position of a servant.

Now that is what is happening, owing to the terms of the treaties. Owing to the terms of the Treaty of Versailles and the enormous indemnity put upon Germany, you have produced a state of affairs in the economic world which is impossible, because you have created a financial condition which can only be satisfied by the export from Germany of an enormous quantity of merchandise, which is ridiculous on

the face of it and under the existing conditions of Europe quite impossible. The fact that you have imposed by an external financial theory this impossible economic condition results in chaos in Europe. It reduces Germany to a chaotic and practically to a bankrupt position. Had I had a little time I should have enlarged upon that.

Austria is also reduced still more to a bankrupt position owing to the way in which the old Austrian debt is divided up so that the new small Austria bears the whole weight of the debt, whereas the owners of the debt do not for the most part live in Austria but elsewhere. The result is that you have in Germany and Austria an impossible position. This reflects itself upon France and Italy and through them it reflects itself upon this country. Finally, America herself finds that she cannot get any money for her exports because the countries of Europe have not any money to pay. The exchange difficulty, referred to to-day, is one part of this one question. You can no more stabilize the exchanges on their own, than you can keep the temperature of a room warm by putting your thermometer in hot water. The exchanges are dependent upon the international exchange of commodities and upon the financial basis on which those countries rest.

My point is simply this. You have attempted in the treaties to create an impossible financial situation. Your economic situation to-day is an effort to try to equalize affairs under that impossible situation. So long as that impossible situation remains, the world is going down into chaos. The only hope is to alter the financial conditions of those treaties. You cannot stabilize the exchanges. You cannot get credits. No one will lend credit to a bankrupt while he is an undischarged bankrupt, and no one will lend money to the countries of Europe so long as the financial conditions imposed on them are equivalent to bankruptcy. Therefore I say that, before anything else, you have to revise the financial provisions of the treaty, and you have in place of the impossible conditions ruling at the present time, to make conditions which are possible.

With a great deal of what the Chairman said I find myself in agreement. With a great deal of the financial points and the methods of inducing other countries to agree to this complete revision of the financial provisions of the treaty through the forgiveness of debt—because you can say to one of the other countries of Europe, Forgive your debts as your debts have been forgiven—I am in accord. We are not here to talk about moral considerations. We are here to look at it from a purely economic point of view, and I say it will pay the creditor countries of the world to forgive the debts of their debtors, because only on that basis and by those means can any future hope of commercial prosperity of the world be built up.

THE LEAGUE OF NATIONS AND THE TREATMENT OF BACKWARD COUNTRIES.

OUR RESPONSIBILITY IN EAST AFRICA.

THE RIGHT REV. BISHOP GORE.

We have been learning under the stern instruction of experience that the economic interests of nations are very closely intertwined, that we are all mutually dependent on each other, that the welfare of each nation depends on the welfare of all the other nations. We want one another's co-operation, and not merely competition as a basis of welfare. We have been learning that the economic interests of mankind must be brought into correspondence with their moral interests, and if that is true of the European countries it is true also in the relations of those countries with others of the coloured races—especially those that are in a way committed to European or American tutelage, which we are accustomed to speak of as the protected or weaker nations.

We cannot conceal from ourselves that in the past the view taken by Europeans of these black, or yellow, or brown races has been derived from a motive of exploitation. That we have exploited them there is no question. But of late years, we have been learning the other lessons, professedly at any rate, in respect of our thinkers and our politicians; we have been recognizing and professing that these weaker races are to be governed in their own interests and with a view to their own emancipation. That I believe to be economically sound. What we want is that they should learn the utmost limit of productiveness for themselves, and if they are to be under tutelage it should be with that view. We have constantly professed that during the war, and it is embodied in the League of Nations that that shall be the law of nations. But there is a vast interval between the professions of politicians and the actual sentiment of traders, and the question arises whether the governments are really going to carry out these professions.

I am going to give only one example, because that is one that is very deeply on the mind of some of us, making a most painful impression. We are trustees for German East Africa, for that East African Protectorate which we began by calling by that name, but which I understand we are now to call the Kenya Colony. During the war the Government promised lands to its soldiers, and has granted

them, and these new colonists and the old colonists are clamouring for labour, and they want cheap labour. They could get labour as well as the mines get it if they paid enough. But they want cheap labour. And they have been bombarding the Government with the demands for forced labour. And forced labour is, I contend, a form of slavery. Lord Milner laid it down in the House of Lords last May that though it was necessary there should be forced labour for certain specific public works, yet it was totally and inconceivably out of the question that it should be sanctioned for private enterprise.

Now we have a White Book despatched to the Government of the East African Protectorate, with other papers following on the despatch, which no one can read through without being filled with the greatest anxiety. I am thankful to say that the missionaries are deeply moved, and steps are being taken to make a protest to the Government.

First of all there is laid down the general principle which Lord Milner stated in the House of Lords—that there was no question of forced labour for private enterprises. We notice first of all that there is the very vaguest definition of public works. I believe there is no doubt the Government could get all the labour it wants without any pressure if it were properly paid, but, of course, the colonists resent that; they do not want the Government to be competing against them with higher wages, and in order that it may not be so it is laid down that labour necessary for public works shall be brought from distant parts, from the Tangahela district, and it is even uncertain whether the term “public works” would not apply to those privately managed clove plantations which are under obligation to give a certain proportion to the Government.

As far as this affects the interests of the plantations, the private undertakings, what are we to say to that? There is to be no forced labour—oh, no, but it shall be the duty of the Government officials to represent to the native headmen that they must supply the labour, must advise and encourage—the word “pressure” is even used. They are not subtle metaphysicians, but they know the view the Government takes, that they must supply this labour, and with their autocratic habits we know what form this “pressure,” on the part of the headmen, will take. The men will be moved out against their will, for they hate forced labour, moved off their farms to a great distance to labour on the plantations. It is contended that it is better that they should learn habits of industry and not be left a great part of the year in idleness; but the way to do that is to instruct them on their own farms. They are ready enough, as in the mines, to work hard if they have proper wages. So that I cannot conceive of any other understanding but

that here you have a scheme which amounts practically to forced labour, not only for public works, but also for private enterprises; and that it is to be carried on not really in the interests of the people themselves, but under the pressure of the colonists. The situation is most grave, and I wish we could really awaken the consciousness of the country to what is imminent. Nothing will prevent this being carried into effect in its present form except a sense by the Colonial Office that there is a rising tide of opinion against it which is too strong to resist

THE MANDATORY SYSTEM AND THE RIGHTS OF NATIVES.

MR. J. H. HARRIS.

I want to confine the very few words that I have to say to what are called the Mandate Areas B under the Covenant of the League of Nations. The Mandate Areas B are, as you know, tropical colonial territories, held prior to the war by the late enemy Powers. But it is impossible to confine oneself entirely to the geographical boundaries of these areas for reasons which I shall submit to you.

The greatest economic disaster in the African continent in its relationship to European peoples would be the final loss of confidence by the natives in the white races. Now we have come perilously near to that situation. When the question of the Mandate Areas first came forward for discussion, a promise, clearly made, repeated by the British Prime Minister, was given to the natives of all these territories that before any Mandate was conferred the wishes and interests of all the inhabitants would be consulted. These Mandates have been conferred without any reference to the natives affected. It is impossible for European and American opinion to form any conception of the effect which that breach of faith has had upon the natives of these and other territories. When that promise was made the African races welcomed it as the final stage of their emancipation. Bitter has been the feeling at the fact that the specific promise of the British Minister has been so flagrantly broken. In one territory the wishes of the inhabitants have been so violently overridden that one chief finds himself separated from the greater part of his tribe.

That betrayal makes it more imperative than ever that public opinion should not lose control over the terms of the Mandate. These territories have been administered now for periods varying in length over two years. Principles of administration are being settled, and both public opinion and

the governments concerned are still without any formal terms of a Mandate, and an attempt is being made to deny even to the League of Nations the right to control the terms of these Mandates. Public opinion must insist that that right, as clearly recorded in Article 22, is retained by the Assembly of the League of Nations.

The first economic condition of these terms should be that the natives must be guaranteed land in secure title, of suitable quality, and sufficient in area. Land, to the European and American mind, connotes an article of commerce; to the African mind it is an article of religious belief. Hence its importance to the African race. Bishop Gore has referred to the situation in East Africa, where, without any precedent in British history, we have had industrial conscription for the two million natives of British East Africa. They will in future be obliged to prove that they have worked for a certain period for white men, and if unable to prove it they must be conscripted for eighty-four days every year.

Now, the basis of that claim upon these people is that the African is essentially lazy and indifferent, and that he must be taught the dignity of labour. It is an extraordinary coincidence that at the very time those decrees for industrial conscription were being prepared in East Africa, we had in West Africa a committee to consider whether the time had not arrived to bring in a legislative instrument to *restrict the native output*. It was found that the natives in West Africa were producing cocoa at such a rate that the administration feared the results; this year the natives of West Africa will produce more cocoa than the world will be able to consume. For years now we have left on the ground uncovered millions of pounds of the "food of the gods," as cocoa is called there, and this year our greatest fear is that there will not be sufficient mouths to consume the cocoa the African native is going to produce.

There you have two distinct problems. In East Africa the declaration that we must have industrial conscription because the native is essentially idle and indifferent: this is in a territory where the land has been alienated from the natives to such an extent that we are told there is an insufficient labour supply to develop the land already handed over to the white men; in West Africa, where the land is in the hands of the African under tutelage of the white man, over-production of an article the world so badly needs. These two conflicting conditions make it very clear that adequate and suitable areas of land, in secure title, must be granted to the natives.

The next economic principle is that the native must be given the right to dispose of his own produce in the open markets of the world. Our own country in this matter is the greatest sinner. Public opinion has not yet realized how

deeply the palm-kernel tax in West Africa has affected the natives, what an uneasy feeling that duty has created in certain countries on the Continent. That tax was proposed during the war. As a war measure it was a brutal measure. The native is penalized in British West Africa two pounds per ton on any ton of kernels, from the territory, which ultimately found its way into the factories of manufacturers other than British. If the native can prove, or if the merchant to whom the native sells his kernels can prove that these kernels have been used in British factories, the native can claim that his two pounds a ton shall be handed back to him. The proposition has also this element in it, that if that two pounds a ton is found insufficient to direct the flow solely into the hands of the British merchants, then the Government is empowered without further reference to raise the duty as high as may be thought necessary. This is in operation to-day as a peace measure.

That principle, an entirely new principle in British colonization, will spread. It cannot, for many reasons, be confined to British territories, and it must in a short period be extended to the Mandated Areas unless we are able to defeat it; and it is a part of our duty to take up and spread the understanding that the African question is one which affects us vitally, and affects the development of the African continent.

The third principle on which we must insist, is that the Mandated Areas are incapable of annexation, that the very term "Mandate," which is well known to Roman jurists, implies that there can be no annexation of the territory affected, and with that we must insist that in these Mandated Areas the people have presented to them the opportunity of evolving their own form of self-government.

THE CASE OF ARMENIA.

THE REV. HAROLD BUXTON.

On this discussion I am asked to deal with a certain section of the Middle East. I will ask you to take a glance, because you cannot do more than take a glance, at the territories of Asia Minor. These territories are defined as backward territories; the life is largely agricultural, and they are backward primarily and mainly because of long periods of maladministration. We are concerned in the life and welfare of these territories for the reason that the rest of the world ought to have their products. These territories ought to be providing food stuffs and other products on a

large scale for the benefit of the world, and actually are producing nothing whatever for export, because of the long-continued anarchy in that region. Since the Armistice, two years ago, the conditions of these territories have gone from bad to worse; the whole of the territory of which I am speaking is wasted, and stripped of implements, of machinery, of all those things that go to make up the wealth of a country. Largely it is stripped bare also of population. Those who reside there are demoralized by five or six years of continual warfare. There are vast masses of suffering humanity from one end to the other of Asia Minor and through the Caucasian regions. They are now rent by civil war, and a large number of men, really owing to the pressure of hunger, have taken to a life of brigandage and service under rebel leaders.

If you pass from Central Europe to the Middle East you see a certain marked difference. While in Central Europe the famine is serious, and sickness and typhus are worse, yet the people there have got their homes still, they are resident still in their old localities. But in Turkey and Armenia the people are not in their own homes or villages; they are refugees, living in strange places. Turkey is economically helpless to-day. During last winter I crossed Turkey four times, and in the large towns I visited the factories were all closed. In the Caucasian Republic there is the same situation, owing to the continual warfare and the need of this small republic constantly to defend itself from invasion.

But of the whole territory of which I speak, it is undisputed that the need is greatest in Armenia, and for these local and immediate causes: first, because Armenia is isolated from the sea, has no means of transport or railway facilities or machines necessary for either import or export of goods. Like the other neighbouring States she is obliged to keep an army mobilized for defence, is overcrowded with an additional population of three or four thousand refugees, and is in desperate financial plight.

I ask you to think at once of certain remedies which may be proposed, and which are to some extent being carried out. I would say that the remedies are of three kinds.

The first is political. The first thing required is peace, a political settlement of some kind or other. Turkey is an old cripple and Armenia is a new-born infant, so both of these countries need help and protection. Even a bad settlement would be better than none at all, and at present there is no settlement. The prevailing and underlying cause of the disturbance in the Middle East is the disguised warfare which is going on between Bolshevik Russia and the British Empire, and I would suggest that the first thing of all is a settlement with Russia.

Secondly, the terms of the treaty, even though it has many flaws, should be carried out, because even a bad settlement, as I have said, is better than none at all.

Thirdly, we want^e here in this Conference to strengthen, as far as we may, the League of Nations as against the present régime of the Supreme Council.

The first remedy is a political settlement; the second is relief work. And here I would like to take the opportunity of expressing our great appreciation of the American work done for Armenia and the neighbouring regions. Although politically America will accept no responsibility, yet, as a question of humanity, they have given and poured out relief into Armenia and Turkey, have sent shipload after shipload of flour into Smyrna, Batoum, and Constantinople and broken ring after ring of profiteers, who have been holding up the price of bread. A hundred thousand tons of flour and twenty million dollars is their contribution in all. This country also has given very generously. Our Government has given trade credits and voluntary relief through the Save the Children Fund, Lord Mayor's Fund, Armenian Red Cross, and others, and has given, on a rough estimate, three or four hundred thousand pounds.

But these countries cannot continue to live on relief; it is abominable that they should have to do so. As the third remedy, credits must be given to enable Armenia and Georgia and their neighbours to provide for themselves. The Armenian people are doing what they can. They have started a Liberty Loan amounting to twenty million dollars at six per cent., to be used for economic restoration of the country. Foreign help, however, must come in. What are Europe and America doing? The League of Nations has voted a loan, but the Assembly has not yet met, and nothing has been done. The United States Senate is to be asked during the coming winter months for a very large appropriation for the economic restoration of the famine areas, and not only Central Europe, but the Near East will share in that.

Great Britain is not at this moment prepared, I understand, to give any money grants, but will give free tonnage for American flour sent out to the Near East.

The obligation of humanity is the first motive, and the general interest of the world is the second, which should lead us and inspire us to come to the help of these destitute and desolate regions. We have got first of all to fight the famine in Armenia and the Caucasus. Later on they will come and help us to fight the famine here.

THE AFRICAN PROBLEM.

MR. E. D. MOREL.

I shall confine my remarks to Africa, and, in advance, plead for indulgence if I say frankly what appear to me to be the realities with regard to the relationship at present existing between Europe and Africa, one of the greatest problems in the world.

The nature of this relationship has changed enormously during the past six years, corresponding with the shifting of political events in Europe and the new economic problems born of the war.

Two allied States dominate to-day the life of Europe. Hope or misery, a tolerable existence or a lingering death for millions, lie in their hands. And these two same Powers dominate to-day in a manner even more absolute the destinies of the African people. Political and economic power in Africa to-day has become to all intents and purposes an Anglo-French monopoly. Speaking in terms of territory, that monopoly is not complete, but speaking in terms of power, of power to shape policy and to mould events, the monopoly is virtually absolute. For, although the Belgian and Portuguese possessions lie outside it territorially, yet no one can suppose that a policy could be carried out in these possessions which the French and British Governments might consider injurious to their interests in Africa.

Take one illustration: during the last three years, slave trade between Angola on the mainland, and the "Cocoa" Islands of San Thome and Principe has been revived, and is in full swing to-day. No one can believe that that would continue for a month if the British and French Governments opposed it. I know it is true that an apparent breach has been made in this great monopoly of power by what is called the system of mandates, but I submit that that breach is purely nominal. I may scandalize a good many people when I say that I regard this system of mandates, so far as Africa is concerned, as sheer and unmitigated humbug. The British are in possession of what was German East Africa. They are doing what they like there, and, incidentally, doing things which would not be approved by the mass of our people if they knew of them. The French Government have declared their intention to do what they like in those portions of the Cameroons and Togo which they have mandated to themselves.

If we are honest we must admit that we are back in the days of old-fashioned colonial conquest. For the conqueror to camouflage his conquest by calling it a mandate is in the spirit of the times, but in no way alters the fact. That the conquest itself is a return to old and evil ways which we thought had been discarded, and that the expulsion of the

Germans from Africa is both an unjust act and a great error of enormous political importance, even from the point of view of the interests of the conquerors, this again does not alter the fact. No real advantage is to be gained by focusing the attention upon the methods which may be adopted by the French and British Governments in these latest additions to their African Empire, but rather in considering how this gigantic monopoly of power is being exercised in Africa to-day as a whole, and how it will be exercised to-morrow. White Imperialism in Africa has two clearly defined alternative policies before it; the policy of slavery with its natural complement of the shut-door in economics; and the policy of freedom, with its natural complement of the open-door in economics. In the region of Africa where the white man is able to perpetuate his race, and where he has introduced his political and social institutions, the first policy will express itself in imposing a perpetual helotry upon the African, by expropriating him from his land and by denying him participation in those institutions: the second policy will express itself in reserving for the African an adequate share of arable land, and by allowing him increasingly to enjoy the rights and privileges of the institutions the white man has introduced.

In the region of Africa where the white man cannot perpetuate his race, and where he has not introduced his political and social institutions, the first policy will express itself in an economic and physical enslavement of the African by denying his natural rights in the soil and its produce, by wrecking his own political and social institutions, by conscripting him for industrial and military purposes; the second policy will express itself in the preservation of African land tenure, African institutions, the African system of co-operative labour, and the natural right of the African to sell the fruits of that labour freely in the world's markets.

The adoption of a policy of slavery in the colonizable region of Africa will mean perpetual unrest, sporadic outbreaks, incessant strikes, producing a situation that leads to mass massacre.

Its adoption in the non-colonizable region of Africa will mean the destruction of the African purely and simply, and an enormous wastage of the economic resources of the African Continent.

The adoption of the policy of freedom will mean the progressive development of an African race capable of playing a worthy, an indispensable and a distinguished part in the evolution of mankind.

The supreme problem before us, whether from the standpoint of justice due to the peoples of Africa, or from the standpoint of the present and future economic needs of Europe, or from the standpoint of international peace, is so to influ-

ence British and French public opinion that the British and French Governments shall use their monopoly of power in Africa in the direction of a policy of freedom, and not in the direction of a policy of slavery.

It may be thought that in speaking of an Anglo-French monopoly of power over Africa, I have ignored or misvalued the existing international mechanism known as the "League of Nations."

The realities are, as the Prime Minister took occasion to remind us the other day, that the League of Nations is a League of Allies, and that the dominating influence within it is the same as that which enjoys to-day a monopoly of power over Africa.

No one, then, will seriously contend that there exists to-day an effective international check upon the policy which the States enjoying that monopoly of power see fit to adopt in Africa.

Few really in their hearts believe that we are within measurable distance of seeing an effective international check of such a kind erected.

Hence, the only force which *can* operate as a check at all, since there is no international check, is the force of an aroused and enlightened public opinion.

To give additional strength to that force, in Britain at any rate, is our task if we are determined to recognize the realities of the African situation.

And never was the performance of that task more urgently called for.

For the victory which was to have brought security and protection for the weak and helpless peoples of the earth—and the peoples of Africa are pre-eminently among them—has on the contrary revived and intensified the dangers which threaten the lives and liberties of the African peoples.

THE DEVELOPMENT OF AFRICA.

SIR SYDNEY OLIVIER.

The announcements about the attitude of European Powers towards backward races after the war, made by the Prime Minister and Mr. Arthur Balfour in this country before the Peace Conference, and by President Wilson in his statement introductory to the draft of the Covenant of the League of Nations, promised two things.

(1) That the control of such people was henceforth to be assumed only as a trust to be administered for their benefit; that is to say, there were to be no more annexations and no exploitation of native labour for the private profit

of the subjects of the trustee, and that mandates should secure humane and liberal treatment for natives and equal opportunities of trade and intercourse between all members of the League in such territories.

(2) That those peoples should be permitted to choose their trustees.

These promises were made in quite straightforward and explicit terms: their implications and their importance as new departures in world policy were enlarged upon with notably special emphasis by President Wilson, speaking ostensibly on behalf of the Supreme Council of the Allies, and educated Africans and members of other subordinate nationalities throughout the world eagerly took note of them, and were filled with satisfaction and hope!

When, however, the terms of the Covenant were examined, it appeared that, except partially in regard to territories formerly parts of the Turkish Empire, the fulfilment of the second promise was nowhere provided for, and, as has now been officially acknowledged, has been ignored, not only in regard to all other such peoples, but even in regard to certain parts of the late Turkish Empire. In regard to Northern Syria, the tergiversation has been even more flagrant and complicated. Further, except with regard to Palestine, no indication has yet been given of any intention to carry out the first promise. It is, therefore, impossible to discuss with any confidence the manner in which the new departure of principle in dealing with such peoples foreshadowed by Mr. Balfour, President Wilson, and Articles 22 and 23 of the Covenant of the League of Nations, might be expected to affect the application of the resources of their countries in aid of the present needs of Europe.

So far, then, as this emergency is concerned, we are only in a position to consider the relations in the domain of industry and production already established and in course of development between the backward peoples (of which Africa contains the great majority and may be dealt with as typical), and those European Powers which are in fact their rulers. Nevertheless, I believe it will be seen hereafter, even if the fact is not already obvious, that those relations have been affected to an important degree by what future historians may possibly refer to as the curious and interesting episode of the Covenant of the League of Nations and the associated idea of mandates.

Africa can enormously and ought increasingly to contribute to the subsistence of Europe. Whenever contact occurs between Europe and tropical lands the European quickly discerns undeveloped possibilities of production, which might be made to yield great increases of wealth, both to himself and the natives. More than ever before the world needs the raw materials and food-stuffs which the

African sun brings forth in rapid profusion. The European begins by trading in native produce already forthcoming, but very soon becomes impatient of the inefficiency of the native in producing the staples of the trade. He is convinced that if the native would work under his direction, the raw materials he needs, and for which he conceives himself to be able and prepared to pay a fair price, would be produced much more rapidly and abundantly, greatly to the advantage of both parties. The most enlightened and humane of African explorers and missionaries have consistently endorsed and urged this view. Failing, however, to convince the native of it, or to induce him to appreciate the remuneration he offers him, the patience of the European tends to break down. History is black with the appalling results. The European's first method of getting a move on has been to lay hold of the native himself, and to take him to some plantation where he can be forced to work in slavery. Slavery has, for two or more generations, been verbally repudiated by all civilised European nations; but a great many variations of compulsion, having precisely the same purpose—of satisfying the impatience of the European to get the economic resources of tropical lands developed—have successively been tried. Some of them, after their failure and their danger have been repeatedly demonstrated, are constantly being revived again in new territories by ignorant settlers and administrators.

Up to not more than thirteen years ago, it was an axiom of Imperial British policy in regard to all territories under our Colonial Office that any approach to forced labour for private or public purposes (other than customary village services), whether by direct compulsion of the Government or under the indirect compulsion of exorbitant taxation, or the taking away of the native's land, was not to be sanctioned or tolerated in any British Colony or Protectorate. This policy was based not only on the principles of liberty understood to be enshrined in the British constitution, but on Imperial grounds of utility established by a century of experience during which British Administrators and disinterested observers in the missionary world had been in contact with the industrial, social and moral problems left behind by the experiment of chattel slavery and with the effects of those successive alternative expedients subsequently tried, including the indenturing of labourers, various forms of duress or pressure, and alternative methods of educational, economic and persuasive inducement.

Immediately after the war, and indeed before its close, the great importance of getting increased supplies from Africa was recognized. An Association, bearing, I think, the name of the Empire Resources Development Association, promulgated an elaborate scheme for doing this. This

scheme has not as yet produced any very substantial results, but there have been various indications of an increased determination on the part of Europeans to hasten that process of development, by utilizing for their own profit the labour of native inhabitants, which is specifically known as exploitation. Whereas in the Covenant of the League of Nations it is said that mandates shall be given to those nations which by *their* resources are best in a position to carry out the contemplated trusts, it is, in the first place, becoming increasingly apparent that with regard to much of the former German colonies there is no intention of issuing any mandate at all. For example, the Cameroons and Togoland have been assigned to France, contrary to the earnest and well-known desires of their inhabitants, by an agreement between the two Governments concerned, made long before the date of the Prime Minister's promise of self-determination, or the framing of the Covenant. Again, the British Government has forced on its West African Colonies that principle of monopoly of trading rights which our statesmen had heretofore wisely shunned, whilst there are indications that even in the territories conquered from Germany the principle of monopoly of trade will be established in defiance of the provisions of the Covenant. Further, whereas the words of the Covenant above referred to implied that the mandatories would use their own resources to develop these territories, it has now been frankly explained by our Prime Minister that the territories have been dealt out among the Allies by way of proportioned compensation for their respective efforts and sufferings in the war, and with a view to the advantages to themselves—Syria, for instance, to France, Mosul and its oil to Great Britain.

All these indications are most ominous and are recognized by educated Africans as most ominous for the intentions of Europeans in their future relations with their peoples.

Further, we have seen the new departure of the adoption of a policy of compulsory labour in the Kenya Colony. Viscount Milner has proclaimed the legitimacy and expediency of imposing compulsory labour for public purposes on the inhabitants of this territory and has sanctioned the requirements of eighty-four days' labour from adults in each year, that is to say, rather more than a quarter of their weekday time.

The theory that all citizens should be forced to work for the benefit of the State is an arguable one. The objection to its application in Africa is simply that where it is imposed by Europeans on Africans it does not conduce to the advance of African civilization. The compulsion for public works is essentially and obviously subsidiary to what is called the encouragement to work for private employers. On this topic Lord Milner has, indeed, disclaimed any intention of

countenancing any compulsion. But why is the compulsion on public works advocated? If I gave you the reason on my own authority you might have accused me of an unwarranted cynicism. I will give it to you in the words of three local Bishops.

"The Government is up against an undoubted difficulty. On the one hand the country has been thrown open to settlers. They have poured in, are pouring in and will pour in in increasing numbers. Every one of these settlers is a potential employer of labour, many of them on a large scale; all of them depend for their very existence as farmers on native labour. On the other hand, there is the native population, a large but limited source of supply, living in their own native reserves, hardly as yet accustomed to travel outside in search of employment.

"The difficulty has become acute, increasing pressure is being brought to bear upon the Government to induce it to reconsider its native policy and use its influence in inducing the native population to meet the demand of the labour market."

Railways, roads and public works are necessary for these new immigrants. They may also be in time beneficial to the natives; but if this were the only consideration in view there would certainly be no such hurry to force the natives to come out of their reserves and, unless they are working for private employers, to work for the Government at a lower wage.

The point is that this is in fact a policy of exploitation, which is precisely what Mr. Balfour proclaimed could not have any place in the British Empire. Some people may justify it; may claim that a policy of exploitation is legitimate and beneficial: but the African simply says, "You promised us one thing and you are doing another."

Some missionaries and some civilians have in fact sought to justify this compulsion on the grounds of its advantage to the natives; substituting for the baptism and salvation which the Pope assured to the slave in the XVIIth century, the benefits of technical education and the influences of intercourse with Europeans. Lord Milner has said he is sure that it is a good thing to bring the natives out of their reserves for employment by Europeans. I do not dispute this, but I remember that when the British South Africa Company tried the same thing in Rhodesia it was reported by Sir Richard Martin to have been one of the causes of the Matabele Rebellion of 1896, and that such compulsion was severely condemned by the British Government.

If any one thing is known about the relations between employers of one race and employees of another race which they consider inferior, it is this—that compulsion to labour destroys the habit of industry and does not educate, but

demoralises. Every schoolboy knows that he cannot be made industrious by compulsion to work. The African and other uncivilized races are more temperamental and more liable to discouragement in their industrial motives by what they indiscriminatingly class as slavery, namely, compulsion to work, than was, until recently, the drilled European proletarian. In both cases, where the pressure is relaxed, there is a reaction, and a very natural one, towards idleness and detestation of work.

On the other hand, experience has shown that by education and inducement the men of these backward peoples can be made eager workers in their own interests and in the interests of fair and humane employers. Economically this ignorant reversion to the idea of compulsion is fatal to its own purpose. It is not surprising that a number of new settlers, many of them quite young men, sent out to East Africa on the faith of illusory promises, should not be aware of this, but it is astonishing that Lord Milner and the Colonial Office should show an almost equal ignorance, and prove themselves unable to stand firmly against the pressure which is now put upon them to make a living possible for these immigrants by compelling the natives to work for them, whether on their farms, their roads, or their railways.

We do not stand where we did before the war—before we accepted African help in our struggle and before Mr. Balfour, Mr. Lloyd George and Mr. Wilson made those promises, which rang, as they were intended to ring, through all Africa. If we had made no such promises and vows of holy living, if we had simply annexed lands and compelled labour—the African world would have understood. The African would simply have said, “This is the law of force to which we are well accustomed, and which indeed we ourselves practise; Britain used to do better and we trusted to her to do better; if she turns to worse ways we must possess our souls in patience, looking to God to deliver us or our children as he has in fact delivered our kin from the older slaveries. But if, when you are in difficulties, you promise us better things and, when your danger is past, harden your hearts like Pharaoh and go back on your promises, then we know that you are not simply masterful men, oppressing us and taking our land and our labour as Europeans have constantly done, but cowardly and hypocritical scoundrels towards whom henceforward we can feel no more respect or confidence.” This is what Africans all round the world are thinking and saying of Europeans to-day, and it is a fact of most ominous importance to the relations between Europe and Africa in the future.

PALESTINE.

MR. LEONARD STEIN.

The mandate for Palestine must in the nature of things be somewhat peculiar. It must be governed by the principle already explained, but in any consideration of the matter account has to be taken of the historic connection of this land with the Jews. That principle, international public opinion, was first embodied in the Balfour declaration, issued in November, 1917, on behalf of the British Government, that the re-establishment in Palestine of a national home for the Jewish people was viewed with favour, subject to the existing rights and interests of the non-Jewish population of the country. To that declaration numerous other Powers subsequently adhered, and it can be said without extravagance that it was received with considerable support on the part of instructed public opinion in Europe as a whole.

When the time came for framing the Peace Treaty with Turkey, it was inevitable that the policy laid down in that declaration should be taken into account, and in the official summary of the Treaty of ~~Sèvres~~ the Balfour declaration is reaffirmed: Palestine is to be allotted to the administration of a mandatory who is to be Great Britain, and among the duties of that mandatory is to be the carrying into effect of the Balfour declaration in favour of the reinstatement in Palestine of what is described vaguely as a Jewish national home.

There is no question of any such thing as a Jewish State or of handing over Palestine to the Jews; such a conception is not within the range of practical politics. But what the policy does intend is that such facilities as are consistent with the interests and wishes of non-Jewish populations should be offered, with a view to the establishment in Palestine of a stable and progressive Jewish society.

Let us turn to the economic reactions of that policy if an attempt is made to carry it out. First, in view of the economic nature of Palestine itself. The first effect is likely to be the concentration on Palestine of Jewish brains and energy and capital in a degree more than proportionate to the economic attractions of the country itself. Palestine is not a country that is rich in natural resources. There would not be in ordinary circumstances a scramble for Palestine, such as there is for Africa. There are no mineral resources of importance. Palestine produces little raw material of any importance. It is primarily agricultural, a country long derelict under the inertia of Ottoman rule, but capable, with capital and patience, of becoming moderately productive. In other words, if left to the operation of ordinary economic forces, the development would proceed very slowly.

The execution of the policy alluded to is on different lines. Jews will come there, not for profit-making, but for nation-

making, so that they will invest their capital with the intention of securing not so much material as ideal returns. The primary problem, therefore, is to create such economic conditions as will enable the country to receive the maximum number of Jewish immigrants within the minimum time. For that end it is essential from motives of an altruistic character that no opportunity be lost of making it understood that capital must be freely spent without hope of immediate or even perhaps any material return. It is significant that the Jews, who are primarily interested in the regeneration of Palestine, are not those commonly known as Jewish capitalists; more or less they are Jews of the lower middle and middle classes, not those of great means, and it is on capital built out of comparatively small contributions from the large number all over the world that progress is being made.

The next point is that the execution of the policy of the Balfour declaration is likely to allow the matter to proceed rapidly.

The complementary aspect of the whole is the question of how far this is likely to be consistent with the interests of the non-Jewish population. The population West of the Jordan consists of about six hundred and fifty thousand persons, about eighty-five or ninety per cent. being not Jews but Arabs. It is obviously the primary duty of the mandatory Power to secure the interests of that Arab population, to see that it is not exploited or expatriated or excluded, that a Jewish society is not founded on cheap Arab labour, or land. I think it is not extravagant to say there is exceedingly little reason to apprehend this. Exploitation of Arab labour is obviously the very last thing the Jewish investor or idealist can possibly desire. Jewish labour is considerably more expensive, the Jewish standard of life is higher in Palestine, as elsewhere, than that of the Arab, so that, the primary intention being to provide the maximum amount of employment for productive Jewish labour, the last thing desired would be the undercutting by Arab labour of cheaper quality.

Turning now to the supplementary problem of land, I desire to say that Palestine being thinly populated, a country which has by no means reached the maximum of productivity, is a country where it is desirable to introduce immigration without any disturbance of the Arab fellaheen. I believe the reactions of a Jewish immigration will be favourable. A higher standard of life will be set, a higher standard of agriculture will be created. These are not surmises, but beliefs due to experience of thirty years during which, on a small but appreciable scale, Jewish colonization has actually proceeded and, on the testimony of most people familiar with the country, done something to raise the level of the population as a whole.

I would turn briefly to the reactions of the execution of the Balfour declaration on international economics. Palestine possesses only one asset of real international importance, and that is the port of Haifa, a natural harbour of the first magnitude, and capable, if fully developed, of being exceedingly important as an entrepôt of European trade. In the Peace Treaty it is expressly provided that it is to be recognized as a territory of international importance to which all members of the League of Nations are to have free access on equal terms.

Supplemental to that, the development of Palestine under new conditions is likely to proceed at an accelerated pace, and its capacities as producer and consumer are likely to be largely augmented.

THE TERMS OF THE MANDATES.

MR. LEONARD WOOLF.

There is one fact which has already been just touched upon by Mr. Morel and Sir Sydney Olivier, which I should like to deal with. Sir Sydney Olivier said if we did not carry out the promises of what is really Article 22 of the Covenant, Africa would think we were unmitigated scoundrels. The whole system of relationship between ourselves and Africa is of course perfectly well known; it has been described by Mr. Morel as merely a system of economic exploitation of subject peoples in the economic interests of a few Europeans. Mr. Morel also clearly stated the alternative system, with which I presume nearly everyone in this room would agree. He also brushed aside the League of Nations and Article 22 as being quite out of the question and useless. But if one reads that Article, one sees clearly that the system which Article 22 proposes to set up in Africa is really the system which Mr. Morel wants to be set up. What seems to me so dangerous, and is making things worse than before, is that instead of things being left as they were, they are made infinitely worse by Article 22, because that clause which ought to have introduced what Mr. Morel wants is making it still more difficult to get rid of the old system.

Mr. Morel said the only way we could change the old system is to influence public opinion. You have got Article 22 there, making it more difficult to influence public opinion, because you have the League of Nations being used as a sort of rubber stamp of internationalism, by which we and other countries are endorsing the old economic exploitation and materialism which we used to exercise by ourselves. The

lengths to which this is going are interesting. I read the other day a report of the Belgian Foreign Minister to the Council of the League at San Sebastien, recommending that means be taken by the Council for bringing into operation Article 22. You have the Belgian Minister considering what is really the most important question in this relation, how the mandate should be drawn up. It depends on the terms as to what system the mandatory power is put on. One would think that if the League of Nations were going to bring in a system that Article 22 professes will be brought in, they would pay some attention to the provision of their mandates, but the Belgian Minister says the way to do this is to request the Mandatory Powers themselves to draw up the mandates, and these mandates shall be submitted to the Council of the League of Nations, who will apply the rubber stamp and endorse them. The whole thing is on these lines, and shows what the League of Nations proposes to do about Africa.

What makes me feel so despairing is that outside of a few people that sort of thing does succeed in blinding the vast majority, and I do not know how anyone is going to influence public opinion about a question like Africa, to which nine-tenths of the people are absolutely indifferent, if at the same time you have this pretence of internationalism and all these fine phrases going about and blinding everyone to what is really being done.

THE FATE OF THE NEAR EAST.

MR. J. RAMSAY MACDONALD.

When I heard about the proposal to govern subject peoples, or look after subject peoples after the method outlined, by mandates, I thought at last we had come to a solution of a very great difficulty, but when one goes to places where mandates have been given, or the places just on the border line between the recognized self-governing State and the State that is subject to a mandate, one wonders whether humanity has lost all sense of decency, and all sense of moral rectitude. I have been on the border line of these States quite recently. Mandates are an absolute farce—self-government a mere name to delight an ignorant public.

Last week I was talking to a very eminent Turk, a late minister. I was told about the operations of high finance. Under the Turkish Treaty, as you know, certain districts of Turkey have been assigned to various Powers as spheres of influence under the mandatory idea, not under the mandatory clauses, but the same obligations being assumed. The

story I was told about the operation of all that, is enough to make one wish that one had nothing to do with it. Peoples in places like Anatolia changed into tenants who will soon become economic slaves to produce dividends for high financiers in Rome and Paris. We found a Debt Commission sitting in Turkey, appointed by bondholders, given the power to veto all applications for concessions, and power of granting the concessions. Three members with votes, and one without a vote; the three with votes, England, France, Italy; the one without a vote, Turkey; a combination between the financiers of Paris and Rome over-ruling the British vote, and the Turkish opinion being regarded as of no consequence whatever. The operations of that Commission do not require to be enlarged upon; I hope the British public will soon be enlightened on the subject. The very thing Mr. Morel has been talking about in regard to Africa, and that Sir Sydney Olivier referred to in a more general way, is that thing I saw in operation in the Near East. What have we got to do? One thing we can do is to sit beside our own fireside at home, and let the world go to the devil—as, indeed, it is going very fast. Or we can try to rouse the intelligence of our people and give them some conception of what is happening outside London, beyond the English Channel and the North Sea.

The League of Nations must be put upon better lines. At the present moment it is supposed to be doing two great pieces of work. As to self-governing and independent nations, it is supposed to be straightening out difficulties and arbitrating them away. In regard to subject peoples, it is supposed to be sitting as a sort of supreme moral authority watching all the moves of those who have granted to themselves what they call mandates, and therefore broken in letter and in spirit the Treaty of Peace which provided for the mandates being given. But it is not doing that.

Our duty is to get our people, by giving them a sufficiently strong volume of information, to take an interest in the League of Nations' work, and particularly to see to it that the countries that are now controlling Africa and the other peoples not able to look after themselves shall not hand over the responsibility to the mere financier or commercial exploiter, but shall really carry out their self-granted mandates from a moral point of view and in the interests of the native people, because only then will the maximum of benefit be done to the world at large.

Unfortunately, high finance is already in the saddle, and is the one interest that is going to benefit by the war; so far as appearances indicate, the one effect that stands out from the late war in Europe has been to tear out from the history of the progress of the east three centuries of effort and struggle that had been fairly successful.

In the east of Europe the handbook that you take with you is Gibbon's *Decline and Fall of the Roman Empire*; that is the book that is up to date. You can go to Constantinople and talk with your own military men—and a magnificent lot they are—whose opinions I wish could be expressed in public; you can talk to honest Turkish people, the men who have not been in the plots and conspiracies and dirty tricks that have characterised Turkish policy for so many years; take honest men in any part of Eastern Europe, and they will all tell you that the whole of that district is going to rack and ruin and back into anarchy so far as politics are concerned, and that the foreign financier is taking advantage of this condition to exploit it in his own interest.

I was much impressed by a conversation with a Turk who held a very important position in Turkey, and I said to him, "You humiliate me very much; I will do what I can, but you sadden me." He said, "Tell your people this, that whatever is happening now we still have greater respect for Great Britain than for anybody else. We feel this, that if the British public could only know about it the whole thing would be stopped. We have a proverb, 'If you want to hang yourself always use an English rope, because *it won't break!*' " We have got a tremendous duty. For the moment I speak as a Britisher. Those of us who are Britishers have a tremendous duty to use every platform, every newspaper, every means in our power, not to agitate merely for a policy, not merely to take sides, but just to display the simple unvarnished facts of what is going on as a result of the war and the Peace Treaty.

THE NEED FOR THE REVISION OF THE PEACE TREATIES: how far their economic provisions are responsible for the collapse: what procedure is most effective to secure essential changes in the Peace Treaties.

THE TREATY OF VERSAILLES.

MR. JEROME K. JEROME.

Two years ago Europe sat down to make peace in a passion, and it is beginning to dawn upon her now that that is something that cannot be done.

Peace can only be made by peaceable persons. The so-called Peace Conference that assembled at Versailles was not a Conference at all; it was an execution, and the prisoner was not even allowed benefit of counsel.

There never was in the history of the world such an opportunity as lay within the grasp of the Big Four at Versailles for making a world-wide peace. A world weary of war, an earth sick of its own ill-doing—if there had been one honest man, what an opportunity! But the opportunity was thrown away, and for that crime, perhaps, having regard to the issues concerned, the greatest in history, the Big Four had as an excuse the excuse of necessity, the necessity to think of their popularity. The unclean spirit that has taken possession of us is driving the herds of Europe down steep places to a sea of economic ruin.

During the war, at a time when it really seemed as if a far-seeing Providence was going to ordain that there should be no victor wreaking vengeance unrestrained on helpless vanquished, I wrote a fantasy, a dream of reasonable men and countries getting into touch with each other and forming a League of Reason for the purpose one day of making a world peace. And, standing here and looking about me this afternoon, I think perhaps my dream may come true. I do not claim that all the reasonable men and women in all the world are assembled here to-day—I hope not! But sufficient if all here may be described as reasonable men and women seeking to find the only road by which Europe can hope to escape out of the chaos into which passion has led her into the road of reason.

THE RECONSTRUCTION OF EUROPE.

PROF. G. VON SCHULZE-GAEVERNITZ.

For more than twenty-five years I have been labouring in Germany to bring about an understanding with the Anglo-Saxon world. During the war I sought again and again, often by unpopular efforts, to effect a *rapprochement* in thought and feeling between the hostile nations. The provisioning of the occupied territories of France by the help of neutrals saved thousands of lives, and it is one of my gratifying recollections of the war-period to have been able to help in starting this work. Through protests in my capacity of Member of the Reichstag against the compulsory levies of Belgian workmen, I gradually won concessions from our military authorities, so that tens of thousands of these unfortunate victims of the war were returned to their homes. The policy of unrestricted submarine warfare was opposed by me as a catastrophe, and I upheld President Wilson's desire of peace at a time when it was thought patriotic in Germany to stamp him a hypocrite. For these reasons I have some claim to a hearing.

In order that our discussions may bear fruit, it is needful in the first place to remove the psychological obstacles which still estrange the sympathies of the nations of Europe and hinder them from approaching the work of reconstruction in a conciliatory spirit.

The German methods of war hardened the heart of Europe and seemed to some to justify the Peace of Versailles in retribution. German occupation was largely characterised by needless expropriations and avoidable destructions of industrial plant that cannot be glozed by the phrase, "War is war." Many of these arbitrary proceedings were at the instance of those in high command, but in many cases the hearts of the soldiers bled at the duties imposed upon them. To-day these actions recoil upon Germany and bind us to reparation, not merely according to the letter of the bond, but to the spirit of justice.

This matter, however, has two sides when we invoke the spirit of justice, under which the accused is at least allowed a hearing. The manifold sufferings of portions of France and Belgium were unquestionably great. Yet when laid in the balance with the tortures and ruin inflicted upon German cities and industrial districts by the blockade, the first scale kicks the beam. A tragic sight, the French ruined cities! But far more terrible the sight of the haggard women and children that stare at us in the German cities and industrial districts. The north of France will bloom again, but thousands of Germans will live crippled lives due to the famine in their childhood. Even if, for the sake of argument, the blockade of non-combatants, of women and children, be

legitimate warfare, what of protracting the famine after concluding the Armistice? Hundreds of thousands of women and children fell victims to the continued operation of this heaviest weapon of war, as five medical faculties of neutral universities have proved. In Lord Lansdowne's words in the House of Lords on January 8th, 1919, the protracted blockade was a crime which, for the credit of humanity, I must presume to be unknown in its full range in religious and philanthropic communities of this country. In the face of facts such as these, we should do well to acknowledge that in the matter of "methods," no one of us is qualified to "cast the first stone," and also to bear in mind the admonition, "Judge not, that ye be not judged." Not until we shall have overcome the psychological obstacles indicated above shall we be in the right frame of mind to approach the task of economic reconstruction by mutual help and co-operation. Let the dead bury their dead. Our labours are dedicated to the living present, and the hope of a better future.

To a casual observer the Germany of the day is the picture of ruin. Thousands have been literally starved to death. To the material breakdown has to be added the moral discouragement. Germany has had a peace of violence dictated to her by the very Powers who declared themselves to be fighting for freedom and equal rights for the weak. Scorn and ridicule are the portion of those who during the war were advocates of conciliation between nations, and of reconstruction on the basis of democratic freedom. A residue of self-command has hitherto prevented the people from venting their despair in blind revolt and plunging from misery into chaos. But how long will they hold out, lacking bread, coal and employment? "Things cannot go on in this fashion," is the universal cry. It was the governing idea with the extremists, both right and left, at the last elections to the Reichstag, and the source of their victory.

Yet, in spite of all, the deeper student of character does not lose heart. Bent the nation may be, broken it is not. Signs of renewed vitality show among the ruins. Devotion to work is on the increase; piece-work is no longer in disfavour; overtime is readily undertaken; the output of coal is rising, and the balance of trade improving. These outward symptoms all point to the same fundamental fact, namely, that Germany, in spite of her poor endowment in point of raw materials—one-third of these cut off by the peace treaty—is not shaken in point of the ability of her people. The war has not sapped her capacities, technical, commercial or organizing. Habits of industry and skill are an heritage of the German people, such as are nowhere excelled. Her abilities, having been deprived of their military outlet, are free to expand in works of peace. Before the war Germany

was the great workshop of Continental Europe. Europe, impoverished by the war, cannot recuperate without setting this workshop in operation once more.

Certain developments in the oversea world assist in the reconstruction of Europe: the growth of its productive ability, and accumulation of the raw materials upon which mankind relies. A fall in the prices of various materials has even now become inevitable. Such are copper, tin, silver, cotton, rubber, silk and other staples. The exports of the British Dominions, as well as of America, North and South, have increased by leaps and bounds. But the oversea producers of raw materials are in need of Europe not only as a purchaser. From every quarter of the globe comes the cry for European manufactures. Even Germany is coming in for some of the unenviable sympathy extended to the vanquished. This opens a vista of trade possibilities, advantageous to victors and vanquished alike. For it is plain that only a Germany with a restored export trade has the means of paying an indemnity—an indemnity not to be levied in precious metals, which Germany does not possess, but only in money's worth, accruing from export trade.

Above all, without the unbounded possibilities of Russia, the economic balance of the world is unthinkable. The reconstitution of Russia in turn is only possible through the instrumentality of Germany, with her intimate understanding of the conditions and the traditions that bind her to her Eastern neighbour—a fact freely conceded by Russians of all parties. Perspicacious British and Americans are of the same opinion. The capital of the Anglo-Saxon nations can only operate upon the natural wealth of Russia through means of the working power of Germany.

Turning to Western Europe, the fortunes of both Holland and Switzerland are linked to those of Central Europe. The same holds good of our whilom opponents. Only an invincible war-madness can be blind to the fact that the reconstitution of France, the balancing of the French Budget and the recovery of the franc, depend upon the restoration of the economic system of Germany. Only when Germany is able to labour with hope in her heart, will she realize the needful surplus out of which to indemnify France. As the recovery of both countries depends largely upon coal, it passes our ingenuity to discover why France, of all others, should cherish the desire of reducing the value of her German mortgage by making over Upper Silesia to Poland. Nor are the commercial relations that subsisted before the war to be lost sight of, which were of so much mutual advantage. France used to buy medium-quality goods from Germany, for which Germany might eventually discover other markets; Germany, on the other hand, used to purchase high-quality goods from France, which an impoverished

Germany could no longer afford, while the French producer will not so readily find a new customer.

The Anglo-Saxon world-dominion stands more firmly founded to-day than ever. Germany has been disarmed and rendered a political cipher. Can it be the interest of Britain to add economic ruin to political annihilation? It is a commonplace that before the war Germany purchased more from the British Empire than she sold to it. Can it be to Britain's interest to ruin the biggest buyer of Greater Britain's raw produce, the customer who took more of the produce of British home industry than any other foreign country? If Germany is to buy British goods as she used to do, she must be allowed to sell her own produce in the markets of the world. The British working man grumbles at the high price of sugar; he forgets that before the war it was Germany that gave him not only cheap sugar but various other necessities of life at a low price. But the British working man dreads nothing so much as the dumping of goods paid for in the depreciated German and Austrian currencies. The restoration of these currencies would appear to be a vital interest of his. Nor is the fact to be overlooked that to-day Britain draws her foodstuffs and raw materials from America, North and South, and from Eastern Asia, countries in which the purchasing power of the sovereign has declined. In order to be able to cheapen such necessities of life as bread and timber, Britain must have at her disposal the trade of Eastern Europe, especially of Russia, where the pound sterling possesses a high exchange value.

In place of the rampant imperialism that has torn Europe to pieces, the hopeful idea has arisen of a Solidarity of the Economic Life of the World, founded on Interdependence. "I prefer a rich neighbour to a poor one," said David Hume; and I may point the moral by a few practical figures in illustration. In 1913-14 Germany purchased the following proportions of their exports from the principal exporting countries:—

From United States	18.8%	1,450	millions of gold marks.
From Italy	... 13.7%	275	" "
From Great Britain	12.9%	835	" "
From France	... 11.5%	695	" "

By levying their contributions from Germany in this form, our whilom opponents will be receiving tangible assets instead of stupendous estimates of indemnities on paper. The interdependence of the economic life must reconcile the victors to a revision of the Versailles Treaty such as allows for an execution on practical lines. In the preamble of the Peace Treaty Clemenceau himself says: "This Treaty creates the means of settling all international questions by discussion and agreement, by means of which the settlement of 1919 can be

modified from time to time and adjusted to new circumstances as they arise." What I would propose is this:—

(1) Germany must have a respite of four to five years. Within this term all claims on account of indemnity must be suspended, and German trade must have the opportunity of raising credits by private agency to purchase necessities of life for the people and raw materials for industry. In this respect the propositions of the Brussels Conference seem to be of a certain importance.

(2) During the above period Germany must exercise the utmost frugality in her expenditure, levy the highest possible revenue by taxation, lay her budget on the table, and spare no pains to put her finances in order and her currency on a stable footing. The sudden fluctuations to which the exchange is subject render business calculations futile and budgets visionary, while gamblers, smugglers and prodigals flourish at the expense of honest labour. But the recuperation of our finances and currency is only possible by avoiding all further inflation, such as executing the literal terms of the Peace Treaty would necessitate in existing circumstances. Let it not be forgotten what sums Germany has to raise for the armies of occupation and the various Commissions of the Allies. In the financial year 1919-20 these amount to 15 thousand millions of marks, while a further 25 thousand millions are due under the Peace Treaty. A General of the Committee of Control receives, in addition to his home pay, an allowance of 252,000 marks a year, whereas the salary of our Prime Minister is only 60,000. The pay and allowances of a private soldier of the same corps amount to 42,000 marks a year, while the German Commander-in-Chief draws only 38,000 marks.

Germany is even more heavily handicapped by the compensations she has to disburse to her own citizens under the Peace Treaty. Dr. Wirth, Minister of Finance, specifies the following, among others: 90 thousand millions of marks for private property sequestered in the lands of the Allies, 17 thousand millions to the owners of mercantile shipping sequestered, and further milliards on other accounts, totalling at least one hundred and thirty thousand millions. This amount can only be met by working the paper money presses at full steam. These vast sums of notes, not covered by securities, that are swallowed by the cost of the occupation and the indemnities to Germans ruined by the sequestrations, must depreciate the mark completely, raise prices prodigiously, promote conflicts between wage-earners and employers, and annihilate broad strata of the intermediate classes which had been the pillars of education, industry and thrift. The recuperation of German finance is unthinkable, unless the proceeds of liquidating German private property in the lands of the Allies

—above all, in Britain and her colonies—be placed at the disposal of the owners. Greece, Italy, South Africa have shown complaisance; the United States seem disposed to relent. Should England display a less degree of fairness? It might seem to be the world-banker's interest to hold his deposits sacred in all circumstances whatever. Such was the basis of German confidence: "As safe as the Bank of England."

(3) Germany cannot recover without a sufficient supply of coal. We cannot yet estimate the whole disaster of the Spa Convention. So much is certain, that German industry has not at its disposal nearly 50 per cent. of the peace supply, while France exports coal, and even in some cases sells it back to Germany at a profit. Meanwhile, German industries are shut down, one after the other, for want of coal. The resulting dismissals of workers throw increasing burdens on the State for their support, and the economic collapse draws nearer every day. This works for Moscow. In a country in which the last powers of the last man should be turned to account, we have to-day one million of unemployed and two millions of half-employed. Let us have coal, with the proceeds of which we can buy bread and build houses, and you will see us work marvels! The reconstruction of Germany is impossible without Upper Silesia, the most important coal-district of the future.

(4) Despoiled of a share of her native raw materials, Germany is now more dependent upon imports than she has been in the past. She can take a new lease of life, financially and economically, only if able to restore a favourable balance of trade. By the Peace Treaty, a "most favoured nation" clause is enforced one-sidedly against us. International trade relations should be renewed on the basis of the all-round "most favoured nations" agreement provided in Wilson's fourteen points. Not merely should the despatch of goods be feasible from everywhere to everywhere, but persons as well should enjoy full liberty of movement. To-day—two years after the armistice—Germans are still forbidden the soil of British colonies.

As to the tropical colonies, even the Mother Country ought not to enjoy a preferential tariff, any more than you yourselves from British India, or Germany from German East Africa before the war. By no other means can the colonial inequities of the peace be mitigated; for Germans have not forgotten what numerous British and Americans have reported about German colonial administration. Thus Sir Charles Elliot, former Governor of British East Africa, who, as our closest neighbour, must have been familiar with the facts, speaks as follows: "Our general verdict must be, that for their achievements we can only congratulate our German

neighbours." A few weeks ago, in *Foreign Affairs*, M. Charles Gide, the foremost French economist, found warm words for German administration in the Cameroons, and pointed out that Germany's solvency will, in the last resort, depend upon her being allowed to participate in the exploitation of Africa. Without Algeria, the recuperation of France would have been impossible fifty years ago.

(5) To obtain reparation from Germany under prevailing conditions is a sheer impossibility. Let her be suffered to pull herself together, without being perpetually perturbed with fresh threats of military measures that disconcert a population physically worn out and at the end of their endurance. Germany is ready to make reparation and to execute the Peace Treaty in a loyal spirit and as far as in her lies. In no case should the indemnity exceed the sum estimated by Keynes.

A simple solution, you say, and to the mind of the economist the only natural one. The legalist will be of the same opinion.

Lloyd George and Wilson had declared that they were fighting Prussian militarism and the Hohenzollerns. They had assured a democratic Germany a just peace of reconciliation. This idea was embodied in the fourteen points of President Wilson, and we were solemnly promised that it was to form the basis of the coming peace. The German people accepted these terms, and laid down their arms, thereby saving hundreds of thousands of lives of their opponents. But the compact was violated. Great Britain to-day holds the key to the world's future. May she make the worthiest use of it. Justice is all that we, representatives of a wrecked and disarmed country, require; we expect nothing less.

But this just and reasonable solution is beset with well-nigh insurmountable difficulty. The passions aroused by the war have not been dissipated by the Peace Treaty. For all that, we still hope for a change of mood. The ideal of the solidarity of the world will prove stronger than any policy of hate and egoism. For that ideal, so far from being Utopian, is the bed-rock of European civilization. Apostles of force may usurp the name of Him who bade Peter put up again the sword, and enjoined all men, Jews and Greeks alike, to use charity to one another. The ideal of Universal Goodwill—goodwill even towards the enemy—is beginning to overpass the thresholds of our temples and to permeate our Parliaments; to travel from the pulpit to the hustings. The ultimate victor in the war has not yet appeared. The nation to earn that distinction will be the one that attains the victory over itself, the first to rend the "chain of evil," and in heart to raise the altar to "the Federation of the World."

THE RESPONSIBILITY OF THE PEACE TREATIES.

MR. H. B. LEES SMITH.

I am very glad that it falls to me to welcome on your behalf the paper by Professor Schulze-Gaevernitz, not only as a co-worker with all of us in the cause of international peace, but also as one of the most eminent thinkers in Europe to-day.

The subject we specifically have to deal with this afternoon is the responsibility of the Peace Treaties for the present economic collapse. It may be well to begin by a very brief statement of what the exceedingly complicated clauses of the Peace Treaties referring to reparation and referring to the deliveries of coal actually are, because when once those clauses are grasped in their outline, the impossibility of carrying them into effect becomes immediately clear, and the obvious method of revising them becomes clear at the same time.

Professor Schulze-Gaevernitz asked that the final figure for reparation should be put not above the sum which Mr. Keynes has indicated, which is, I think, two thousand million pounds.

Now I should like to remind this Conference of how the present sum has been reached. You may remember that the original proposition, the provisions for reparation, were contained in the clauses of the Armistice terms, and by the Armistice terms Germany agreed to return for the damage to civilian populations and their property by the aggression of Germany by land, by sea or by air, a certain sum. That was, I believe, understood universally at the time. I do not think there was one exception to this understanding by any country, that reparation was for ordinary property damaged by means of invasion, air raids, etc. There are a good many estimates as to what that sum would amount to; I believe the lowest is about sixteen hundred million pounds and the highest about three thousand million; Mr. Keynes's figure happens to be about the medium.

But while the Peace Conference was being held in Paris it was decided, and an Annex to the Peace Treaty was so added, that reparation for damage to property was to cover not merely the damage done by aircraft and invasion, but should include payments which, for example, I myself received—the separation allowance paid to the soldier's wife—allowed to my wife, the compensations and pensions to the relatives of soldiers who have died. It was this interpretation of the Armistice clause which brought the amount of reparation up to somewhere near eight thousand million pounds. You will therefore see that in suggesting that the final figure should be about two thousand million pounds, all that is really suggested is that we should abandon that dubious and unreal

artificial rendering of the original Armistice terms, which I believe no single impartial tribunal would ever support.

The sum then would amount to somewhere near eight thousand million pounds. It is then laid down that so long as any part of this sum is unpaid, interest and sinking fund at six per cent. will be calculated upon the unpaid portion, and shall be added every year to the original eight thousand million pounds. That would come really to something like an additional four or five hundred million pounds a year. I have seen a good many estimates of what Germany is expected to produce each year. The estimate of the most optimistic responsible authority comes to far less than four or five hundred million pounds; with the final result that what the reparation clauses eventually lead to is that whatever effort Germany may make, she cannot escape the final result that her liability for the indemnity at the end of each year will always be greater than it was at the beginning.

As I say, the impossibility of this Treaty becomes evident when you look at it. The Peace Conference, of course, realised this fact, and it is therefore laid down that the Reparation Commission shall allow Germany each year enough for economic expenses, and it shall be their duty by a series of devices after that to take the surplus produced above the economic expenses on account towards the ever-accumulating indemnity with which Germany can never catch up.

The result is clear. In the centre of Europe we create a slave race marked by the characteristics of slavery—economic existence guaranteed, but no motive for industry, thrift or production above that level, for the more they work the more is taken. The economic sterility of slavery has always been recognized.

The Treaty goes on to lay down that towards this impossible reparation the Reparation Commission shall have the right to confiscate not only German Government property, but by, I believe, an absolutely unprecedented action, German private property—the balance of a German governor in a bank—and that, further, there shall be the delivery of so many tons of coal.

In regard to these coal clauses there has been in newspapers and in argument some misunderstanding. We have to distinguish between two kinds of payment. There are the payments of coal in order to compensate for the destruction of French mines during the war. That part of the problem is not very overwhelming. I believe the compensation for this could be made by delivery of about twenty million tons; the output of the Saar Valley alone is calculated at thirteen million tons. But the impossible situation to which Professor Schulze-Gaevernitz referred has been created by the further provision that over and above the compensation for the destruction of French mines there shall be a delivery of about

twenty-five million tons of coal as reparation to France and Italy and other lands. Taking the pre-war standard, and not allowing anything for export, Germany would require somewhat less than one hundred and forty million tons of coal for her industries if they are to revive up to pre-war standard. If she loses Upper Silesia, and taking into account the loss of the Saar Valley and deliveries to France, Italy, Belgium and other countries, she would finally under the terms of the Peace Treaties be left for herself with about sixty million tons. Now every reduction below one hundred and forty million means a blow at the possibility of the revival of German industry; reduce her to sixty million, and she is left with not much more than enough for transport and domestic requirements. This provision means the stagnation of German industry which can never be recreated because the very foundations upon which it must rest are taken away year by year.

The Peace Treaty, therefore, is a very effective instrument for the purpose for which it was framed. It is extraordinarily complete. You can imagine nothing more perfectly calculated to reduce a vast population to economic subjection than first to take away all motive for production, and then to see to it that production should be impossible if even the motive were there.

Professor Schulze-Gaevernitz pointed out that there is one thing we must make up our minds upon. Do you think that you can destroy German production in this way and confine the effects of what you do to Germany alone? He went into that very thoroughly, but let us just look again at this fact. Take all the countries around Germany—Switzerland, Italy, Roumania, Russia, Norway, Sweden, Denmark, Holland, Belgium—both allies and neutrals. You will find that five out of six of them before the war sold more to Germany than to any other country in the world, and that five out of six bought more from Germany than from any country in the world. Even France herself sold more to Germany than to any country in the world but one, and bought more from Germany than from any country but two. The whole of Europe is linked together as a single economic system; you cannot cut Germany out of Europe; and this country has got to recognize the fact that if you are going to impoverish the whole German community you will not escape the final result of a lowering of the standard of life of all workers in every European land. And this result, coming at a time when the one thing they are determined on is to improve their conditions of existence, is going to lead to a position which only insanity will compel us to plunge this world into.

The remedies Professor Schulze-Gaevernitz has indicated. It is quite clear that whatever payments Germany makes or

may make, whatever the payment may be it must be fixed at a practicable sum; towards it we must calculate the property already confiscated, equivalent to somewhere near five hundred million pounds. Having fixed it at that practicable sum, let Germany pay it in her own way. Take out all these provisions for delivery of coal and seizure of private property, and let the elaborate paraphernalia of the Reparation Commission be wound up.

OBSTACLES TO REFORM:

MR. NORMAN ANGELL.

I want to carry our discussions perhaps a step forward—to consider now what are the obstacles to revision, and how we can circumvent those obstacles. Because I submit to you that so far as England is concerned the real feeling against the revision is not strong. Since the Armistice we have had a certain experience which has opened our eyes. We were to have had the payment of the whole costs of the war by Germany; we were to have had, as Mr. Lees Smith has told us, all our war pensions paid, and so on. But does anyone now really believe that we are going to have anything of the sort, or anything near it? The real obstacle is that the only condition on which these moneys can be paid is a condition of great foreign trade controlled by Germany, and I do not think the present leader of Parliament would welcome that,—giving a profit of about six or seven hundred millions a year.

I wish there was another word than revision. It has been said that words terrify us so much more than things, and in France it is sheer blasphemy to mention the word “revision.” Perhaps we could get forward with some other word, for as a matter of fact we are revising the Treaty all the time. We are *not* going to hang the Kaiser, we are *not* going to bring him to London. We are *not* going to have the war criminals tried in our courts. All these things are being revised—but you must not talk about “revision.”

Where does the obstacle to revision come then? I think you will perhaps agree with me that we have not much real obstacle to the fact of revision in public opinion in this country. Dimly the public mind realizes that if we are to have a reduced cost of living we must somehow set Europe to work, and those who go much about among labour conferences and so on find that a warm welcome is given to the idea that if we are to get ahead with the reconstruction of the world we must have wheat from Russia and sugar from Germany, and so on. That sort of idea is getting hold.

Nor is there great opposition in America. America has more or less washed her hands of us; that is her mood for the time being. There is no opposition from Russia. We know the position Russia takes with regard to trade with the West. There is no opposition from Italy. So here you have a situation in which the world is going to pieces from lack of production or from low productivity, about one-fourth of the world ready to recognize the cause of that lack of productivity, perfectly willing to make revision—and yet it does not come.

Where is the obstacle? In one word, it is a certain feature of French policy. I do want to say this, because we are entering on the stage where the real obstacle will have to be faced. I have lived twenty years of my life in France. I was educated there, and as a journalist have urged the value of Anglo-French friendship when it was just as unpopular as it would be to-day to urge Anglo-German. And I take the ground that we must somehow get over this obstacle without a political breach with France. And you cannot separate the political from the economic; they are one problem.

I suggest to you, then, that we must do this if humanly possible, that we must devise a policy which will restart Europe to work, which will at least permit the economic reconstruction of Europe without a breach with France; and I regard the continued co-operation with France as a necessary part of the maintenance of order.

But let us look first at the real root of this divergence of policy between ourselves and France, because we must face the facts if we are to make way.

England's position is rather peculiar; our prosperity depends on other countries producing a surplus of material beyond that for their own needs. This is a commonplace, but a commonplace we do not often face. If we could imagine an outside world so reduced in productivity that it could only produce enough food and raw material for its own population, we should realize that the population of these islands would starve or emigrate, and our industries go to pieces.

Dimly we see, therefore, that we have a vital interest in maintaining a high productivity in Europe, and Germany, of course, is the keystone of the European economic system. Europe cannot be restored without the restoration of German industry, and it is the more urgent to remember this because for certain reasons the material which we can draw from North America is diminishing. Our dependence on Europe and south-eastern Europe is greater than ever before, and we cannot keep our industries going and feed our population and reduce the cost of living save by a high standard of productivity in these territories. There is the root of the economic outlook in England. We say we must have the

navy to keep the seas open for food and raw material, but there may be a blockade at the source; you may have a world where it would not matter whether the seas were open or not, because there would be no cargoes going to England.

But that is not the position of France. France is very nearly self-sufficing—"la politique de vase close." Her attitude is not economic like ours, it is political, protection against an old enemy, and it is that principle which is guiding her policy; she can afford to neglect the reaction taking place in Europe. While her financial position is bad her economic position is not desperate; she could, by redistribution of property and capable administration, restore her property and live through the strain, particularly now that she has the mines of Lorraine.

So you see what are the forces at work on our side, and with America and Russia you will see that we must work together, that the industrial situation is all one, and that we cannot solve the problems without realizing that there are grave diversities of policy. But if we cannot face these diversities and get round them the time will come when we shall demand Russian wheat, and France will oppose it, we shall insist, and relations will be severed; and that, to my mind, would be a disaster, and must be avoided. Roughly, I would suggest that our minds be working in the direction of maintaining our guarantee for the political security of France, along the lines of the League for that political purpose. For the purpose of economic restoration we shall be obliged to disregard the League as it now stands. In the League you need unanimity for any decision of vital importance, and that unanimity, so long as you have the push in the present direction of French policy you cannot get; so you cannot use the League much for a long time.

But there is a great deal that Great Britain can do of her own initiative to create a real economic League of Nations side by side with the political League which has been established. Making every effort to preserve our obligation for the political protection of France, I go further, and start the new orientation of our economic policy by cancelling the debt of France to us. French critics are saying, "You people who have ships and colonies and foreign trade, what sacrifices are you making?" We must show that we are willing to make sacrifices, and I think we should purchase a large measure of French acquiescence by remission of the French debt. Then, let us push forward a policy of rapid economic co-operation with Russia, with Germany, with Italy, going as far as possible with the virtual establishment of free trade. That you can do in a large manner by recognizing immediately the reciprocity in all the claims which the war imposed on Germany. Let us annul all the exclusive

claims of the protective elements in our administration of the colonies which we have taken, or of all our non-self-governing territory. Let us denounce the arrangement about the phosphates of Nauru and place our non-self-governing territory mandate on a basis of equal free access to Germany, Italy, or Russia; by this you will have gone far toward creating economic unity, or an area in which you would be advancing rapidly towards free trade for the British Empire, Russia, Germany, Austria, some of the States that were once Turkey; also in the non-self-governing parts of Asia, Africa and the Pacific. On the basis of an area like that you would have the groundwork for a working League of Nations, an economic League of Nations whether France cared to come in or not. That could be done without the unanimity that is necessary in the Supreme Council or the League of Nations, that necessity which now stands in the way of getting forward at all. One hopes that a policy like that, which can be taken on English initiative alone, and pushed, would create so great a force that neutrals, and finally France, would be compelled to come into its operation.

One cannot in ten minutes' talk consider all the objections, some of them very obvious, to the general line of policy indicated. But I suggest that we do not wait on this hardly-acquired unanimity which you must get in the Supreme Council or the League of Nations. Let us get at the source of public opinion in our own country, getting a drift in the direction I have indicated. That is something we can, as Englishmen, do ourselves without waiting for others or feeling that we have before us a situation entirely outside our control.

CONFLICTING POLICIES.

MR. A. G. GARDINER.

I think the announcement that Dr. Walther Rathenau has been debarred from coming to the country by the Home Office, and therefore is prevented from being present at this Conference, points to the very heart of what is wrong with the world and with the economic situation of Europe. I suppose everyone here knows, even if the Home Office does not, that Dr. Rathenau is one of the most distinguished brains in Europe, and, among other things, a great and eminent capitalist. No one has more learning, no one discusses the European problem with more thoroughness and comprehension than Dr. Rathenau! When in Germany two or three months ago I had the opportunity of meeting him. No man in Germany made as great an impression on me as

he did as to the importance of these problems. But he is not allowed to attend this Conference.

I think Mr. Norman Angell has struck the key of the whole business in what he said about public opinion. We are never going to get much out of systems or politicians, but we may get something out of public opinion. But the kind of public opinion that is not outraged by the kind of thing just referred to is doomed. We are face to face with two conflicting policies, and I believe that circumstances themselves are going to make our decision for us. There is no doubt that the coming winter is going to decide whether we are going to pursue the policy of making war with Germany and persecuting Germany and injuring ourselves at the same time, or not.

I do not want to say anything that might be misconstrued, but when you contemplate the facts in regard to the coal situation in Europe, for example, you are appalled as you come to the conclusion that there is a definite policy not directed toward the making of reparation, but toward the strangulation of Germany, and as you realize that there is no possibility of any recovery at all until the coal situation is put right. The French make no concealment of their policy and what it means. The *Echo de Paris* described last month quite plainly what the aims of France are in the Ruhr. It is at all costs to get control of the Ruhr coal fields, not merely from an economic point of view, but to break up the political unity of Germany. There is a strong movement in Bavaria to support a movement of which Dr. Heim is head, directed toward a South German Federation, to get Bavaria and the southern states into a federation, self-contained on the French model, and Catholic, agricultural and self-sufficient; the difficulty in that scheme is that Bavaria depends upon Prussia for its coal. The French idea is that if they can get control of the Ruhr coalfields they can say to the Bavarians, "Break off from your federation," and so they would have in the middle of Europe another State. In fact, the whole agitation about the Ruhr coalfields revolves around the desire to continue the Balkanization of Central Europe. Anyone going into Austria-Hungary will realize what the results of these things will be. You cannot conceive the condition of starvation and misery which exists throughout Austria-Hungary. There is a great empire of fifty million people smashed to bits; it is as though London, formerly the centre of this great country, were cut off from Birmingham, Lancashire, and South Wales by tariff walls, and no one could have access to it or to the other places without passports. Vienna owns its own coalfields in Teschen, but has no access to them. The coal is in the hands of the Czechs, who are showing no very friendly spirit. They are erecting hostile tariffs and preparing new alliances; the

Czechs are in touch with the Hungarians against the Poles, and everywhere there is this misery of little nationalities broken up by all sorts of tariff hostilities.

One of the points of revision must be the coalfield of Teschen. It is the very key of existence of fifty millions of people, the source of power of that great economic entity which has now been destroyed. It is now in the hands of one portion of that entity, and an economic entity which consisted of fifty million people is, except as to a small portion, deprived of its power. The coalfield does not belong to the Czechs, but to all the people who depend on it for supplies, and one of the most urgent needs is that this great coalfield should be restored to those to whom it really belonged, to all the people of the old Austria-Hungary, and it should be one of the duties of the League of Nations, if it is to be a reality, to take over the control of such a coalfield like that of Teschen. I throw that out as a suggestion. I am convinced that the future of that coalfield must not be in the hands of any single Power or any two Powers; it belongs to Central Europe.

The French policy is to prevent Upper Silesia from remaining in the hands of Germany; they have been carrying on a great campaign to get the people to vote for it to pass into the hands of the Poles. That would be an enormous disaster to the whole of Central Europe, and we must face the issues and realize where France is leading us and what it means to us and to the whole world if we follow.

Events will rapidly develop which will make it impossible for us to follow, and I think it is wisest to make it clear that having gone too far on that road we will go no farther.

ADMISSION OF THE CENTRAL EMPIRES TO THE LEAGUE OF NATIONS.

HERR VON GERLACH.

I speak here as a radical pacifist. I cannot say I am delegated by the German pacifists, but I dare to say I represent the opinion of the German radical pacifists, who are the majority among the organized pacifists of Germany.

We radical pacifists think that it is not sufficient to criticize the Peace Treaties. We think criticism a very good thing, and we shall be very grateful to the pacifists and socialists and all people of goodwill in the world if they will help us to revise and criticize the Peace Treaties.

But our first duty is not to criticize only, not to be negative, but to try to be as objective as possible. In the Peace Treaties there are many bad things, but there are good things too, and it would be unjust to criticize only.

We distinguish between the good parts and the bad parts in these Treaties, and we want the bad parts revised. But we are sure that is not a thing of to-day or to-morrow; we know that it is a "long, long way to Tipperary," and consequently we think it would be a good thing if the Peace Treaties were handled in such a way as to secure a mild interpretation. I think if Germany and Austria were in a position to take part in the debates about the Peace Treaties in the Council of the League of Nations it would be a good thing for the powers. German pacifists have a very hard fight against our reactionaries and militarists. The militaristic party exists, and will get stronger and stronger the longer Germany remains excluded from the League of Nations. The best way to fight against German reaction, which is a danger not only to Germany but to the world, is to procure the speedy accession of Germany to the League of Nations.

Some good friends of mine, American pacifists, told me some months ago that they were combating the League of Nations because the League was constituted so unjustly that it seemed directed against Germany. I answered them, "You do not help the German pacifists if you combat the League of Nations." On the contrary, if the League of Nations were actually in existence, imperfect though it might be, we should take it as a good basis for the future. The League of Nations seems to me like a new-born babe, with all the characteristics of an infant. But this infant may become in the future a person in the highest degree valuable to pacifism. We have before us just two alternatives—destroy the League of Nations, or construct a new League of Nations on the basis laid by the Treaty of Versailles. I prefer to reform the League of Nations, and not I only but the German pacifists. Because if the League of Nations disappears, what will be the consequence? Not a pacifist consequence, but a militaristic consequence. So it is better to ask the men and women of goodwill in the world to help us, that Germany may be admitted to the League of Nations as soon as possible, and then that Germany may be enabled to discuss with the other members of the League of Nations how to make the League an instrument of pacifism for the whole world.

In this Conference we are discussing economic matters, and I feel that economic matters and political matters cannot be separated. It is much easier to appeal to the heart of the people; I do not do so. As I am a man of politics, I prefer to appeal to the brain of the people, and I believe everybody will agree with me when I say that our action must be inspired by the heart but directed by the head.

THE UNITED STATES AND THE TREATY OF VERSAILLES.

MR. J. G. MACDONALD.*

I came from America to listen and to learn. This Conference has been the source of great inspiration to me and is a fitting culmination of the work during the past several years of Lord Parmoor and his associates, which has been to us in the States a constant stimulus towards clear and constructive thinking in our international relations.

It is no exaggeration to say that the example of the British Labour Party and the Fight the Famine Council, and of similar British organizations, has been one of the most important bases upon which we in America have built.

I will give briefly my impressions of the present state of public opinion in America towards the problems discussed at this Conference. I feel justified in accepting Lord Parmoor's invitation only because during the last several years, as Chairman of the Executive Committee League of Free Nations Association, it has been my chief task to study and analyse the attitude of our public men and of the mass of the common people towards precisely these questions.

I shall try to give you as clear and as fair a picture as I can of what I believe America feels about the grave questions of economic reconstruction, so fully and illuminatingly discussed here. None of us can forget how reluctantly American people entered the war, how they were induced finally to do so after they were convinced that only through the defeat of the Central Powers could the ideals of political freedom, equality, economic opportunity, and social justice be secured and maintained. To make the world safe for democracy! was the slogan that stirred the American hearts.

President Wilson's fourteen points—the accepted basis of the Armistice—were only a concrete statement of the faith of the common people of America. Not that they knew in any detail the problems of the post-war settlement. They were nevertheless convinced that this war, having been fought for right and justice, ought to eventuate in a righteous and just peace.

The weary negotiations at Paris, the sacrifice of one after another of the fourteen points, the Treaty of Versailles, and many actions of the Allied Powers since, have been the source of great disillusionment to the American people. To-day the Treaty of Versailles, as well as all the other treaties in which the United States were involved, have been rejected. May I sketch for you very briefly my estimate of the reasons for this rejection? These are three:—

1. The defects of the treaties.
2. The obstinacy of President Wilson.
3. Party politics.

* Speech was delivered at the Public Meeting following the Conference.

The first of these, the defects of the treaties and the Allied actions in enforcing them at the beginning of the discussion in our Senate, were only a nominal reason for opposition. Latterly, however, as the defects were prolonged, and as the true inwardness of the arrangements made at Paris became evident, what had been at the beginning only the incidental cause of hostility to America's underwriting the treaty, came to play a constantly larger rôle. America has steadily grown in the conviction that she ought not unqualifiedly to support what, instead of being a peace of justice, was a conqueror's peace.

2. The incapacity of President Wilson to meet on terms of equality those who differed sharply from him, and particularly on his insistence on the retention of Article 10 of the League of Nations Covenant, the Article which he himself had drafted, made it relatively easy for the opponents of the treaty early to put him on the defensive, a position which has steadily grown more difficult for him as the discussion has gone on.

Our people believe profoundly in the ideals which the President had enunciated. They were proud of his capacity of expression, which made him, during the last two years of the war, the accepted voice of liberal and democratic thought throughout the world. But when the President returned from Paris and insisted upon the acceptance of his work there without essential modifications, there was a distinct reaction against him born of a resentment of what was termed his dictatorship. His opponents in the Senate, quick to sense this shift of public opinion, used it to the fullest.

Political partisanship was in the beginning the largest factor working for the defeat of the treaty. It has continued to be an important consideration. However, it is only fair to the opponents of the treaty to say that as the months went on from July, 1919, until now, they have steadily shifted the burden of their argument to the consideration of the wrongs in the treaty, using these as the basis for their most telling arguments for American isolation from the European settlement. Considerations for party strategy made, for instance, Keynes's "Economic Consequences of the Peace" a powerful weapon in the hands of the Republicans.

In short, partly because of political considerations, partly because of President Wilson's defects of leadership, and in the last analysis, because of the inherent injustices of the peace and of the Allied actions following the peace, America is to-day unwilling to associate herself in the task of perpetuating the work done at Paris.

During the presidential campaign, the case of the Versailles and the other treaties grew steadily worse with us. Even if the unexpected should happen and the Democratic Party be retained in power, it is unthinkable that America

will ratify them without material reservations. These reservations, unless the Allied Powers show a marked willingness to modify the treaties in practice, will amount to America's remaining outside the European settlement.

In my judgment, however, no matter who is elected in November, America can be induced to join whole-heartedly with the European States in the common problems of rebuilding the economic structure of the world—on conditions.

Among these conditions are, I believe:—

1. The cessation of imperialistic military operations, such as the Polish offensive against Russia, connived at, if not directly encouraged, by one or more of our erstwhile allies.

2. The revision through administration, if not by verbal modifications, of those provisions of the Paris treaties which have made our people believe that the United States would, if they ratified these documents, be used to further the territorial and commercial ambitions of the Allied Powers rather than to preserve the peace or to restore the economic life of Europe. Foremost among these provisions are—(a) those dealing with reparation, (b) those artificially thwarting the renewal of economic intercourse.

3. Such modifications in the Covenant as (a) the immediate admission to the Council and to the Assembly of Germany and of the other former enemy States, (b) strengthening of the mandate provision in such a way as to make certain that the nations holding mandates may not use them for selfish nationalistic purposes.

I do not say that America's full co-operation in the work of reconstruction is contingent with the technical acceptance of each and all of these terms. But what she has a right to require as the price of her full participation is the purification of the Paris settlement and the rectification of the worst features of the post-war arrangements as the only guarantee that "the peace of victors" has become an instrument capable of restoring the industrial life of the world.

If you here in Britain can induce your Government to throw the full weight of its influence in favour of these modifications, you will make our task of persuading America to come into the European settlement infinitely easier. America cannot live alone, does not want to live alone. If we can be persuaded that the war is in fact over, that our assistance will not be used primarily to maintain British, French or Italian ascendancy; if we can know that your efforts will go towards the upbuilding of European life everywhere, then and only then the spirit of idealism which uplifted our people in 1917 and 1918 may again be roused, and this time lead us to throw our full strength into the work of reconstruction.

HOW TO MAKE THE LEAGUE OF NATIONS AN EFFECTIVE INSTRUMENT FOR RECONSTRUCTION.

ECONOMIC SOLIDARITY.

LORD PARMOOR.

When I talk about an effective instrument for reconstruction, I mean, of course, an effective instrument for economic reconstruction. I am a very strong advocate, and have been for many years, of the principle of a League of Nations, in fact long before the war began, and irrespective of the difficulties which the war has brought to the front. But I am bound to say that, although I am strongly in support of the principle, I think it is essential that there should be drastic revision of the Covenant before the League can in any way be an effective instrument for economic reconstruction.

In order to put as shortly as possible what I consider are the necessary revisions of the Covenant of the League, I want to make one point clear. I think many of us would go to the length of saying, that, if the League had been formulated in a proper fashion some years ago, the war and all the inevitable consequent misery might have been avoided in Europe. Anyone who has watched the general outlook of the progress of European civilization must have noticed two inconsistent movements. It is in order to reconcile those two inconsistent movements that we require a properly constituted Covenant of the League if we are to ensure peace, good-will and conciliation. On the political side there is and has been a tendency towards an extreme nationalism. It has been a potent factor during the last fifty or a hundred years and has really been growing in Europe ever since the break-up of what was known as the Holy Roman Empire. It has been present in an acute form during a long series of years. Sometimes it led to the formation of aggregates, such as Italy and Germany; sometimes to a tendency to a dissolution of aggregates, as in the case of the Austrian Empire and as in our own difficulties in Ireland under the Home Rule movement. But, at any rate, the tendency has been ex-

tremely marked towards that form of political aspiration and isolation which is known under the name of Nationalism. One evil effect of this was to produce ideas such as those of Tariff Reform and Protection, namely, that a political entity could be self-supporting for economic purposes and could afford to disregard the interests of others in an attempt to press its own selfish predominance. Side by side with this political tendency there was an inevitable progress in growth in the economic evolution in Europe. It is not necessary for me before this assembly to emphasize what we all feel to be the need of economic unity and solidarity amongst all European units, but if you think for a moment you will see that the necessity of economic solidarity was being met by a strong tendency towards political isolation. The problem was to reconcile these two apparently inconsistent ideas, because as long as you wanted in economic life interdependence and solidarity, and as long as on the other hand you were having the political tendency towards economic isolation, and what was called the self-supporting principle, you had two ideas in conflict and in contrast which were almost certain to lead to war and friction. In fact, if I were to express my own view, it would be this: that all the worst wars of recent times have been due to economic isolation and to a want of an appreciation of the necessity of economic solidarity and economic unity.

How can we introduce some form of international regulation which should meet with the difficulties and requirements of international economic solidarity and unity? One matter, of course, must be clear. It must be an international body. You cannot deal with international questions such as are involved in modern international commerce without having some international body, for the purposes of control and supervision. Unless you have a body of that kind, you will have a reiteration of what has been the curse of Europe; namely, economic friction and economic wars.

I rejoice that we are likely to have an international court in order to formulate an international common law under the terms of the League. If you want a controlling or revising body, you must have a body which operates by legal principle, and not by force and violence. One of the most important matters with which the League ought to deal is a properly adjusted court of justice where matters of common economic interest, such as commercial treaties and other documents may be properly revised, properly considered, and properly adjudicated upon.

In this matter let me welcome most cordially what I understand to be the American view as represented by that great authority, Mr. Elihu Root, that they are willing and ready in America to recognize the value of an international legal body which would administer an international common

law for the purposes of the common interests which now affect all the countries of the world.

The first essential amendment, without which we really have no League of Nations at all in the true sense, is that all countries, who desire to join the League, should be included on equal terms. Until there is an inclusion of all countries, we have no League of Nations at all, and there is a great danger in giving the name of a League of Nations to a body which is not representative of all countries. If we are not careful we shall constitute a body in order to perpetuate the predominance of particular countries, which is the very matter which we seek to avoid in a properly constituted League of Nations. We want everyone to have a fair opportunity and a fair chance, and so long as human nature remains as it is, we cannot have impartiality, and equal treatment, unless all countries are equally represented on equal terms and with an equal opportunity.

If all countries are not included, the League as at present constituted will have to be voted a failure. Let all countries be included, and I for one, apart from criticism of particular machinery, would look forward, at any rate in the course of time, to the Covenant becoming a reality in the regulation of economic commerce, and in that way preserving peace and good-will in the world.

The second essential reform is this. You cannot have a reforming body composed of various countries and representing diverse interests, if you can make no move and make no change unless you have unanimity. I cannot myself imagine a more certain device for rendering a body such as the League of Nations impotent than by saying that, on matters of crucial importance, it can take no effective steps unless all the constituent bodies are unanimous. It is of the essence of a body of this kind that you should work not by unanimity, but by some form of majority, after discussion and conference; and in the modern spirit of political life in Europe what chance is there that the Covenant of the League could be used for economic reparation if at every step and in every direction it is pulled up unless the whole conference is unanimous as regards a particular matter?

Then I should like the elimination of the principle of dishonesty both from the League and from the Peace Treaties. It is a matter on which I feel very strongly. Heretofore, in international law, and I can speak with confidence of the law of this country, private property on land was not confiscated by war. It was preserved and safeguarded during the war and after the war it was handed back to its rightful owners. That was a most essential principle, both in international law and in international comity, and one of the reactionary principles, which has been brought to the front in this war, has been the confiscation of private property of

ex-enemy nationals after the war itself has ceased. Those who suffer from confiscation of this kind are very largely poor people who have had taken away from them every means of livelihood on which they had expected to depend either for their everyday life, or for their old age protection. I was delighted to see what General Smuts is said to have proclaimed in South Africa. Everyone who has had the honour of the friendship of General Smuts knows that he is one of the most enlightened men whom the war brought to the front. According to the last records that we have from South Africa, I saw that he had brought forward a resolution that this principle of confiscation should not be followed in South Africa, but that the old principle of honesty should be preserved there, and that after the war there should be reconciliation, and that men should not be deprived of the property because they happened to hold it in a foreign country.

The next principle, essential to reform, is that you should have impartial disarmament. It is quite useless, and perhaps worse than useless, to impose disarmament on some countries, and to have huge and growing armaments in neighbouring countries. First, because without some system of general disarmament we shall never have a general system of goodwill and conciliation, and, secondly, because we cannot have financial and industrial restoration so long as huge sums are not being spent on production, but in wasteful expenditure for warlike equipment and armament.

Then next we must have the indemnities immediately settled, and on reasonable terms. I know of no body to whom this matter could be entrusted except the League of Nations—the League of Nations reconstituted on an impartial basis. If you want a maximum of productivity, the essential difficulty of the moment, you will never get it by levying over vast districts an indefinite indemnity. We have heard “slave labour” and similar terms, but I want to put this consideration particularly before the Labour organizations and the Labour people in various countries. One of the terms of the League of Nations is that the labour conditions in all countries shall be fairly adjusted. How can this be done if the industrial conditions in a particular country are so depressed that the margin cannot even allow fair terms for the employment of labour? This matter has to be faced. I think the Labour Party in this country has it in mind, but I should like the Labour Party in every country to have it in mind—that if you want fair conditions, we will say in Germany and in Austria, as in other countries of Europe, you must at least give such conditions that the labourer can live with a fair standard of comfort, that he can have a possible opportunity as regards his labour life, and that he shall not be subject in a particular country to such conditions that he practically can never rise to the level, which we all

desire, as a common standard for labour in all European countries.

We have heard a great deal about credits and exchange. I have not heard any suggestion that any other body could deal with matters of that kind on a wide basis except the League of Nations—or, of course, an economic council founded under the ægis and protection of the League of Nations. There, again, there must be a reform. It is not only in the omissions in the covenant of the League at the present time, but it is also in the fact that those who framed the League do not seem to have appreciated the absolute necessity of putting an end to the present dislocation of economic conditions, and introducing, in the spirit of solidarity, a code not based on the requirements of one country, but on the requirements of all. If you are to have a code of this kind, including matters such as credits and exchange, there is, so far as I can see, no alternative, and we must go to the League of Nations itself.

It is not necessary to refer again to such matters as the regulation of food, coal and raw material, but I want to add one consideration. We want to withdraw matters of this kind absolutely from the political platform and political bias. We must bring home the factor that we are dealing with an economic question, and I want myself the League of Nations to become primarily, at any rate at this stage, an economic controlling body. It is the only body that can possibly take that position. It is the only body which I should be willing to allow to regulate food, coal and raw material, because I think it is the only body which would be sufficiently free from political ambitions and political bias. This is part of the general principle to which I referred at the outset—namely, that we have got to reconcile economic friendliness with what we know will still continue, political ambitions and political friction. It is to the League of Nations to which we must look. I think the League of Nations has been regarded as too political a body. I do not believe in a League of Nations regulating all the foreign policy of European and other countries. That may be a dream of the future; it is scarcely a possibility of the present. But let us give the go-by to these political difficulties. Let us try to concentrate the League on economic matters, and, as concentrated on economic matters, I believe public opinion in Europe is ripe to trust it if it is properly constituted by the inclusion of all countries and on an impartial basis.

Those who called together this Conference are quite aware that it is impossible to propose a panacea for the accumulated evils after the war. But we desired a mentality and outlook in favour of peace and conciliation. We felt that by meeting together, and by discussing these topics, by rubbing mind against mind and outlook against outlook,

we could advance, as I think we advanced last year, the spirit of conciliation and co-operation. That is the first step, the first necessity. When we have done that—and I hope we are doing it quickly now—the question is one of machinery. How can we make effective the spirit of conciliation, of which we know the necessity, and which we feel in our inmost hearts the keenest desire to bring about? Well, I see no machinery except that of the League of Nations. I regret to say that the machinery appears to me now to be very imperfect, and therefore I suggest that one of our earnest endeavours should be to promote in every way in our power an effective reform of that machinery as a means to bring peace and goodwill to the world, a Christian and united spirit to all European countries.

THE MECHANISM OF THE LEAGUE.

MR. DELISLE BURNS.

We are agreed that the European situation is serious. We have heard details of individual distresses and industrial collapse. A year ago it was agreed that the situation was serious, and we understand from the speeches delivered this year that the situation in many countries has gone from bad to worse. Meantime, nothing effectual has been done. Not only has nothing been done by the Governments, but it has proved impossible to focus public attention upon the situation itself. My subject is, What can be done? You have already heard suggestions in regard to finance and commerce. I shall restrict what I have to say to the League of Nations.

The problem is, What can be done to make the League of Nations an effective mechanism for the economic restoration of Europe?

The League is a structure with many parts, and if you are looking for an instrument by which to improve the economic situation, you must look at all the parts of your machine. The League may mean in the first place the Secretariat, Sir Eric Drummond and the other members of the Secretariat. That is an administrative organization. It exists because of the treaties agreed upon at Paris, and it is already at work. It is an administrative organization, and can be useful as administrative organizations are. For

example, it has already published a certain amount of material which may be used as evidence for action, exactly as in the early days of the industrial system when the distresses of the new industry were obvious, the Factory Department of the Home Office with its inspectors provided material for future action in the report of its inspectors. So, too, the League of Nations has an office—I am talking now of the Secretariat—which can provide material and has begun to provide material, but, of course, an administrative office is an instrument at one remove from the motive power. It is not directly in contact with the motive power. The motive power in the League at present lies in the Council, and speakers sometimes mean by the League of Nations the Council of the League.

The Council of the League has quite definite terms of reference in the first part of the Treaties. Those terms of reference envisage all the problems with which we are concerned. They envisage the control of the armaments trade, the suppression of various nefarious practices, the consideration of subject races, and so on. And provision is made in the terms of the Treaty that the Council shall have no powers to deal with any of those subjects which they envisage. That is bare fact. The terms of the Treaty provide that although the Council may consider these problems, the power to deal with them rests with the constituent Governments, and not with the Council.

But it would be childish in political philosophy to suppose that the functions of an instrument of Government are delimited by a written agreement. No one believes nowadays that the efficiency of a Government is dependent upon a written constitution, even where you have a rigid constitution. As a matter of fact, what delimits the powers of an organ of Government is popular acquiescence and not written agreements, and it does not seem to me to matter very much whether the Council has the powers or not if the people will acquiesce in their taking over other powers.

An example of that in the war we had in the Allied Maritime Water Transport Council, which was supposed to deal with the allocation of shipping. At the close of hostilities, and in the summer of 1918, it was not only allocating shipping, but actually rationing food for the different nations. Why? Because popular acquiescence could be taken for granted. But then it is perfectly clear that this popular acquiescence is expressed in the Governments of the different States which constitute the League of Nations.

From the League of Nations, therefore, meaning the Council of the League, which is absolutely ineffective, but could be made effective, we pass to the Governments themselves. Sometimes speakers mean by the League of Nations what ought technically to be called the member States of

the League, and that is why such a great trouble is made about the entry of Germany and so on. What they mean is, I presume, that Germany should become a member, that is to say, her representatives should sit on the Council and in the temple. No attention is paid to the fact that under Part 13 there is another thing also connected with the League of Nations, upon which Germany already sits. The principle has gone, but there is still some idea that the League of Nations involves at present the exclusion of Germany in all its senses. The Governments of the world, however, with popular acquiescence seem to desire things incompatible with the economic restoration of Europe. There is the British war in Mesopotamia, the French war in Morocco, various activities of the Governments on the Continent of Europe, and it is absolutely useless, it seems to me, to blame the Governments so long as the people acquiesce. The limit as to what the Government will do is precisely popular acquiescence.

There is another part to the structure of the League of Nations, which is not usually referred to by speakers in regard to the League. I am now simply trying to describe the machine, for it seems to me to be necessary if you are going to so use the League of Nations to know what you mean. The League may mean the Secretariat, and that is useful as collecting material. It may mean the Assembly, and of that I say nothing because that would be prophecy.

But there is besides Part 1 of the Treaties, Part 13 of the German Treaty, which sets up the International Labour Organization of the League of Nations. It has only the faintest connection with the Council and Assembly in the fact that the same States which set up the so-called League, also set up the International Labour Organization, and the International Labour Organization has already been at work. There have been two general Conferences, at one of which Germany and Austria were admitted, and at the second of which—in Genoa last July—Germany and Austria were actually present.

Lord Parmoor has referred already to the fact that in Part 1, the League of Nations is to look after the conditions of labour in different countries, a vague sentiment in Article 23 of Part 1, entirely oblivious of the fact that there is an elaborate machine with quite distinct functions set up under Part 13 to deal with those very problems. Those problems have been dealt with by this independent organization, and that also may be called the League, if you mean by the League the constituent members. It is important to recognize that in that organization are represented not the States or the Governments of the world alone, but workers' organizations and employers' organizations. That structure, therefore, is an economic structure, not a political structure. The

political structure is here dominated by a quasi-economic machinery. There may be more hope from that than from the Council of the League, because, in the first place, the persons who are present at economic conferences are more likely to know about the economic and financial problems than the persons present on the Council of the League. Nevertheless, once again the difficulty is that in the International Labour Organization the terms are restricted, not simply by the text of Part 13, but by popular acquiescence. It is clearly considered that a Labour problem is a problem of benevolence within the existing system, and so long as that is the meaning given to Labour problems to be dealt with by the Labour organization of the League of Nations, so long there can be no efficient action in the financial and commercial sphere. It seems to me perfectly obvious that there are no such things as Labour problems. There are economic and political problems.

It is entirely futile to look to the League of Nations for the economic restoration of Europe, because under Part 1 of the Treaties, the League of Nations, properly so-called, is not fitted to perform the restoration of Europe, not only because of its incidental weaknesses, but also of the nature of the thing. It is set up within the existing State system, it is set up by persons thinking in the terms of diplomacy and not of economics and finance, and it is naturally incompetent to deal with such subjects as you have in view when you say economic restoration. On the other hand, the International Labour Office might possibly, again in the abstract, be fitted to deal with wider problems, but in actual fact you know perfectly well at Washington, when there was the discussion in regard to cutting down hours, the protest was made by the employers and by some of the Governments supporting the employers' section, that it was outside the purview of the International Labour Office to consider either the distribution of material or the reparation of machinery, or those subjects which the employers say are within their competence and not within the competence of the workers' organization.

If you want economic restoration of Europe, you cannot look to this machine to perform it. A sewing machine will not build a house. The instrument is not built for that, and it is no use talking about good-will and Christianity because they will not make a sewing machine build a house. The question is, the machine itself must be changed. The ills of which you complain—which I agree are serious—are ills which demand not drugs, but the knife, and the peoples of Europe will not face the knife. The problems are radical, and the remedy must not be in political but economic terms. Industrial action is the only possibility. Parliaments are just as futile for dealing with the situation which we are now faced with as the League of Nations. We want quite

different machinery. It is not only the Allied Governments that are to blame: also the other Governments are to blame because they will not use the knife. They still attempt to use drugs for a disease which is fatal.

AN INTERNATIONAL HOUSE OF COMMONS.

DR. WEISER.

The wish has been expressed that before the closing of this Conference, Austria's case should be summed up in connection with the question of the League of Nations.

Regarding the conditions of Austria, I am glad to say that we find the Council is very well informed; in fact, it has better information on our affairs than we have ourselves, due perhaps to the circumstances that you are not personally involved. In fact, so much has been said that there is nothing more to be talked about, and the moment has come to act.

Now on what lines have we to act? I will not add statements and figures to what has already been said. I want only to answer very briefly Mr. Fimmen, who advocated that we should base our economic existence on our water power. I do not think that water power is on a broad enough basis for the economic existence of any country. Of course, our water power will have to be utilized some day, and it is very much to be regretted that two precious years have already been wasted.

I want it to be clearly understood that, try as hard as you may, you will only find two solutions for our difficulties: either union with Germany or economic union with the former parts of old Austria. I hope you will not find me too frivolous if I say that we do not much care which way you point.

It has often been doubted whether we are Germans at all. People who doubted that used to put forward the strange arguments that we Austrians have a certain sweetness of manners and are far too decent and charming to be Germans. It seems that even under the present circumstances we are starving in a very stylish and graceful fashion. Now, assuming that we are charming—which I do not know—there are two different inferences to be drawn therefrom: either we are not Germans, or Germans can after all be charming. I ask you to believe me that the second solution is the true one. Germans we are and Germans we mean to remain for this and all generations to come, in a higher

sense perhaps. If being a German means trying to live up to the spirit of Goethe and Lessing, to the philosophy of Kant and Schopenhauer, to the soul of Beethoven and Bach, then Germans we are, and no power on earth will ever prevent us from being so.

But political union with Germany is quite a different question. If our union with Germany were to increase the existing mistrust against Germany, then we would sooner not unite at all. The day is bound to come when humanity will look back with wonder on the existing ridiculous frontiers. We will patiently wait for this day, and in the meantime accept any reasonable political solution which you may propose to us.

As to the other possible solution, union with Czecho-Slovakia and the other States, do not believe that we want to regain our domination over these countries, whatever domination may mean. As far as feelings go, I daresay the separation has been a good riddance for both parties concerned, but economically we belong to them as they belong to us. Of course, it is a very awkward thing to belong to a person who is not sympathetic, but it cannot be helped. The trouble is that the Czechs will not see that. The trouble is that the Czechs have a queer idea of independence. They say it is not worth while being independent if they have to be on friendly terms with their neighbours.

It is highly satisfactory that in this Conference not a word has been said about responsibility for the war, a question which up till now has highly bewildered and upset all international meetings. I for my part have never approved of Germans or Austrians arguing this case. I do not care whether we are regarded as responsible or not, provided you accept once for all the principle that war is a crime. This crime must not be a principle laid down for this war, and for the sole purpose of founding upon it the Treaties of Versailles. If we are sure that this principle will be applied to all present wars—and there are present wars—and future wars, I for my part will readily plead even guilty, if you like, for the sake of all generations to come. This principle has never been applied to any war. Take even the war of 1871. I think English public opinion had found out that this war had been started by Bismarck, but not in order to condemn it as a crime, but to praise it as a masterpiece in war. Lay down once and for all the principle that war is a crime, and that someone has to suffer hell for his responsibility, and we will readily suffer hell, for the greater benefit of generations to come.

What hope is there for us and for humanity from the League of Nations? The late Professor Lammasch has pointed out that the chief drawback to the League of Nations is that it is not really a League of Nations, but a League

of States, of Governments. Humanity has been divided since time immemorial, as text-books tell us, into different states, nations and races. With regard to states, I think that this division is the most artificial one. There must be a state, I suppose, but there must not be this particular existing state. There will always be some states in the world. As to nations, nobody can tell you what nations mean. As to races, it has been said in Germany that "blood is thicker than water." It means the bonds of kinship are indestructible. That has not been your experience in the war. If blood is thicker than water, then at any rate printer's ink is still much thicker than blood!

The existing League of Nations represents only the Governments; therefore, the existing organization may be regarded as a conservative element, as the House of Lords of humanity. But what we want are the Commons, the House of Commons of humanity.

As I listened to Mr. Jerome's speech the idea came to me that we are looking for something lasting, for something eternal, on which we may base our hopes. Now this something is, of course, to be the sense of justice and of brotherhood in mankind, but perhaps there is something besides that—I mean the sense of humour in mankind, and especially in the Anglo-Saxon race. I most earnestly believe that if the sheer downright injustice of the Treaty of Versailles does not bring about a revision, then the humour in them, the misunderstandings, the farcical comedy in the treaties might still come to our rescue.

IMPROVING THE LEAGUE.

MR. W. E. ARNOLD-FORSTER.

I will speak only about making this League more international, more democratic and more flexible.

First as to making it more democratic. There is a peculiar urgency in that problem, an urgency which has hardly been sufficiently recognized. It is this: the League has in its hands, as you know, a great weapon of economic pressure, and that weapon has a power which has lately been realized in a new way. The discovery we made during the war about the weapon of blockade is that blockade is generally far more deadly and far more easily used than was supposed. It is far more deadly chiefly because both belligerents found that the weapon of blockade cannot be cut in half. It was impossible in practice to discriminate between the combatant and the non-combatant. If you cut off food supplies at all from a State, you will starve women and

children as well as men. That horrible conclusion has been recognized and accepted, I think quite rightly, by the League. The League Covenant in Article 16 lays down that its members shall apply economic pressure if called upon to do so to the offending State without any distinctions of this kind at all. The severance of relations is to be complete. There is to be no distinction between the combatant and the non-combatant. In fact, therefore, economic pressure is going to be something far more deadly than we supposed before.

The weapons of blockade are to a great extent weapons other than that of naval force. At the present moment we are blockading Russia, starving the life out of every man, woman and child in Central Russia as hard as we can, but without the use of naval force. We do it by withholding consular facilities, export licences. Not one man in a thousand knows those means of pressure. Those are the instruments which are at the hand of the League. What is the upshot of that? It is that the weapon which the League has is one peculiarly convenient for bureaucratic use, and can be used or abused, not merely by Governments, but, for example, by the forces of organized international labour. The deadly danger at the moment is that the forces of national labour are not identified with the direction of the League, which is at present a League of Governments. It is obvious that at the present moment there is a great danger that organized international labour may itself take over the powers, which may be abused by the existing League, unless you can secure a proper democratic control of the existing League. It is essential that the Council of the League should be elected on a democratic basis and that the voting of the Assembly should not be by States, but free voting.

At present the League is impotent to act unless it can secure unanimity. I suggest that we here in England have a tremendous responsibility in that matter. On us falls a great part of the responsibility of showing that we believe in this League, and we have many ways of doing that. First, how can we send a representative to a Council of the League unless we have cleared our honour in Ireland, which dishonours us every day in every country? Secondly, is it not essential that we should indicate to our Government that we require of them a different attitude with regard to the League and in particular with regard to mandates? Could we not make some vivid sign to the world, that we ourselves have some faith in the League and are prepared to make some sacrifice? The League has applied in the Dardanelles the principle of internationalism, has submitted the Dardanelles to the control of the League as a blockade station. I submit to British people here that it is worth while working to urge on our Government to hand over to the League Gibraltar as a blockade control.

As to making the League properly international, it is so obvious that Germany and Austria must be admitted at once on terms of proper equality, that I need not say a word about it. But may I say this? May we not hope sincerely that those delegates who have done us the honour of coming from Germany and Austria may go back with the conviction that there is a deep, passionate feeling in this country in favour of such admission on terms of proper equality and with a proper understanding as to a revision of the Peace Treaty? May we hope that they will go back to their country knowing that that is a feeling not only in this Conference but also in this country? It is the pledged faith of the British Labour Party. It is, I believe, also the conviction of a great part of the British middle-classes. Would it not be a happy thing if the publications of the League of Nations Union could be taken back by one of the delegates from Germany and Austria as an evidence of the sort of temperate feeling of the very restrained British middle-classes on the subject of the League? Only by admitting Germany and Austria on terms of proper equality can we wipe out the stupid insults of the Treaty of Versailles, and only in that way can we obliterate the dishonour which we did to ourselves.

THE URGENT NEED OF AUSTRIA.

MRS. C. R. BUXTON.

I have just come back from Vienna, and I would like to say a very few words to point out that we cannot wait for a future League of Nations to step in and save Austria.

The resources of charity cannot go on very much longer. The spectacle of this vast civilized city being decimated has shocked the conscience of the whole civilized world, and ten nations are striving to keep the people of Vienna alive. But the process of charity cannot go on for ever. It is becoming more and more difficult to raise funds.

The Reparation Commission is sitting in Vienna now, and the first part of their labours is to be to repair Austria herself. That Reparation Commission is to get out a scheme for putting Austria on its feet. It has been at work on this for some time past, and the scheme is nearly ready. It is our responsibility to see that the conscience of the Allies is sufficiently aroused on this subject that some scheme for credits and for coal may be accepted by the Supreme Council in the near future. If we do not do that, we shall leave to Austria only one thing to do, and that is to die.

THE LEAGUE AND JOURNALISM.

MR. F. W. HIRST.

I never thought that President Wilson was right in his idea that a bad League of Nations would be a substitute for a good peace. I always hoped that on the basis of a good and rational peace you might then gradually build up a useful League of Nations. The question now is whether the League of Nations shall be an instrument for maintaining and perpetuating a thoroughly bad peace, or whether it shall be an instrument for gradually converting a very bad peace into a good and reasonable peace.

There is no purpose to which men and women of right feeling should bend themselves and their energies more strenuously, than to the task of endeavouring to provide in each great capital and centre of Europe at least one newspaper which will give honest and satisfactory reports of important meetings and events and speeches, and which will provide a fair forum for reasonably expressed views, whether they be in harmony with or divergent from the views of the proprietor and of his editor.

But if newspapers—and even the newspapers which we regard as friendly to us—either deliberately or unconsciously, through ignorance, suppress all the vital things which might be collected at gatherings like this, how can you expect that the Government of this country shall pursue a reasonable policy? You cannot expect it. The proceedings of a Government, and the proceedings of the League of Nations, must be conducted, if they are to be conducted well, in the light of publicity. There must be publicity. It is this necessity for publicity that I should wish to emphasize. Whether we can do anything or not, I do not say. I do not believe myself there is anything of that kind which is beyond the limit of human achievement, and I do believe if the people who have goodwill would put their heads together in this country, that we could by some means or other provide the publicity that is required for this Government, and also in some measure for the League of Nations.

FRÄULEIN KRAUS.

Frl. Kraus thanked all friends who were doing relief work in Germany. She said that the knowledge that there were people of goodwill in England and America sustained them in their struggle for existence, and would help to build the League of Nations.

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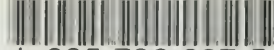
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